

**Ohio Office of Budget  
and Management**

State of Ohio  
***Ted Strickland***  
**Governor**



**OHIO**

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FOR THE FISCAL YEAR  
ENDED JUNE 30, 2006

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**OHIO**

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FOR THE FISCAL YEAR  
ENDED JUNE 30, 2006

**STATE OF OHIO**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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# **INTRODUCTORY SECTION**





March 23, 2007

To the Governor, the Honorable Members of the General Assembly, and the Citizens of Ohio:

It is my privilege to issue the *Ohio Comprehensive Annual Financial Report* (CAFR) on the financial condition of the State of Ohio for the fiscal year ended June 30, 2006. The report is prepared in conformity with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

The Ohio Office of Budget and Management (OBM) pursuant to Section 126.21, Ohio Revised Code, which requires that an official financial report of the State be issued annually, prepared this report. The report includes the basic financial statements, which provide an overview of the State's financial position and the results of financial operations.

OBM is responsible for the accuracy of the data presented and the completeness and fairness of its presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the State of Ohio. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The State's basic financial statements include all funds that comprise the State's legal entity or primary government. The State's reporting entity is also comprised of its component units for which the elected officials of the State's primary government are financially accountable. We followed the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, to determine the organizations for which the State is financially accountable. NOTE 1A. to the financial statements explains more fully which financial activities are included in the State's reporting entity.

The CAFR includes the following: introductory section; financial section that presents the management's discussion and analysis (MD&A), basic financial statements, required supplementary information, combining financial statements, supporting schedules, and fund descriptions; and a statistical section that presents data for the State of Ohio regarding financial trends, revenue and debt capacities, demographics, the economy, and operations.

The MD&A, which is required under GAAP to accompany the basic financial statements, provides a narrative, introduction, overview, and analysis. The MD&A should be read in conjunction with the State's financial statements and this letter.

The reporting format for our CAFR is significantly different from the way the State more typically presents its finances on a non-GAAP budgetary basis. The most obvious difference is that the "General Fund" in the CAFR includes more than just the State's General Revenue Fund (GRF). The General Fund also includes other funds such as the reimbursement-supported funds used for activities administered by state agencies and departments for which special revenue or proprietary fund classifications were considered to be inappropriate.

## INDEPENDENT AUDIT RESULTS

The basic financial statements have been audited by the Office of the Auditor of State. The outcome of the audit conducted by the Auditor of State, in accordance with generally accepted auditing standards, was an unqualified auditors' report. This opinion indicates there was no limitation on the scope of the auditors' examination and the financial statements were presented fairly, in all material respects, in conformity with GAAP.

## PROFILE OF THE GOVERNMENT

The State of Ohio's first constitution was adopted in 1802, and Ohio entered the union in 1803. Ohio's present constitution was modified by a state constitutional convention in 1851 and has since been amended on numerous occasions. The Constitution establishes a state governmental structure similar to the federal model, with three separate branches of government — executive, legislative, and judicial.

The executive branch consists of the Governor and Lieutenant Governor, who are jointly elected, and four additional statewide elected officials: the Attorney General, the Auditor of State, the Secretary of State, and the Treasurer of State. All of these officials are elected to four-year terms. The State Board of Education is also part of the executive branch. Approximately 100 departments, agencies, boards, and commissions are part of the executive branch of government and receive appropriations

from the legislature, along with several judicial and legislative agencies. An organizational chart of state government can be found on pages ix and x.

The state legislature in Ohio is referred to as the General Assembly and consists of two separate chambers, the Senate, a 33-member body, and the House of Representatives, a 99-member body. Each member of the General Assembly is elected to represent the residents of a geographical district for a specified term. Members of Ohio's General Assembly are subject to term-limits; senators are restricted to serving two four-year terms, and representatives are restricted to serving four two-year terms. Each chamber has a presiding officer to call the chamber to order and direct the calendar of events. The presiding officer in the Senate is the President of the Senate, and the presiding officer of the House of Representatives is the Speaker of the House. A new General Assembly is convened in January of each odd-numbered year.

Along with the establishment of our state governmental structure, the Constitution requires Ohio to have a balanced budget. Ohio's budget is prepared for a period of two years – a biennium –, which begins on July 1 of odd-numbered years and ends 24 months later on June 30.

The State provides a wide range of services and support to its citizenry that are accounted for in the following functions or programs: primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, community and economic development, workers' compensation, lottery, unemployment compensation, tuition credits, liquor control, and other business-type activities.

## **ACCOUNTING SYSTEM AND BUDGETARY CONTROL**

The State's management is responsible for establishing and maintaining internal control designed to ensure that the State's assets are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

A series of executive orders established the Internal Accounting Control Program (IACP), beginning in fiscal year 1992 and ending in December 2006. The

IACP established written guidelines for state agencies to follow during periodic management reviews of their accounting operations. Under the program, agencies were required to formally establish, maintain, and annually evaluate and report on internal accounting control.

The State's Central Accounting System (CAS) achieves budgetary control over the various accounts of the State's funds. The General Assembly authorizes expenditures by appropriating funds in biennial and supplemental appropriation acts. OBM uses the CAS to control departmental obligation and expenditure activity to ensure authorized appropriations are not exceeded.

The State's non-GAAP budgetary financial statements are prepared on a modified cash basis of accounting. This means that revenues are recognized when cash is received and expenditures are recognized when cash is paid. Encumbrances, reservations of appropriation authority as of June 30, the end of the State fiscal year, are reflected as expenditures on the budgetary basis of accounting.

Budget-to-actual comparisons can be found in this report for each governmental fund for which an appropriated annual budget has been adopted. For the General Fund and major special revenue funds, these comparisons are presented as part of the basic financial statements. For other budgeted governmental funds with appropriated annual budgets, budget-to-actual comparisons are in the nonmajor governmental funds section of the CAFR.

Additional discussion of the budgetary and GAAP bases of accounting is provided in NOTE 1 to the financial statements.

The CAS maintains all non-GAAP budgetary basis transactions and most GAAP basis adjustments. In addition to the information obtained from the CAS for financial reporting, selected financial information provided by the State's agencies and departments is compiled to complete the GAAP basis financial statements.

Differences between the two bases of accounting (GAAP vs. non-GAAP budgetary) include: 1) entity differences — the GAAP reporting entity may include organizations such as financing authorities and other component units that are not included in the State's budget; 2) basis differences — the GAAP basis results in the reporting of accruals while the non-GAAP budgetary basis results in the reporting of cash transactions; and 3) timing differences — for example, GAAP recognizes expenditures for payables for goods and services received, whereas the non-GAAP budgetary basis considers unliquidated encumbrances as expenditures. A reconciliation be-

tween the GAAP basis and non-GAAP budgetary basis fund balances is presented in NOTE 3 to the financial statements.

### **CASH MANAGEMENT**

In Ohio, with the exception of certain organizations within the State's reporting entity that have independent powers to manage and invest their funds, the Treasurer of State is responsible for investing the State's cash and investments pool.

During fiscal year 2006, cash management and investment transactions made by the Treasurer of State's Office, in accordance with the Uniform Depository Act, were limited to checking accounts and certificates of deposit with qualified public depositories, U.S. government and agency obligations, bonds and other direct obligations of the State of Ohio, obligations of a board of education, as authorized under Sections 133.10 or 133.301, Ohio Revised Code, commercial paper, repurchase agreements, no-load money market mutual funds, bankers' acceptances, bonds of U.S. corporations or of foreign nations diplomatically recognized by the United States, security lending agreements, and the Treasurer's investment pool, STAR Ohio. Legal requirements for the investment of funds maintained in the State's cash and investments pool are discussed in NOTE 4 to the financial statements.

Quarterly, OBM allocates the investment income earned on the cash and investments pool to the various funds designated by law to receive the earnings. The allocation is calculated in accordance with a formula based on average daily cash balances invested over the quarter. The Ohio Lottery Commission's investment portfolio, which is dedicated to the payment of deferred lottery prizes and is accounted for as part of the cash and investments pool, however, is not part of the investment earnings allocation just described. Instead, the Treasurer of State credits the investment earnings from the dedicated portfolio directly to the credit of the fund that accounts for this activity.

### **RETIREMENT SYSTEMS**

Employees of the primary government or its component units may be eligible to participate in the Ohio Public Employees Retirement System, the State Teachers Retirement System of Ohio, the State Highway Patrol Retirement System, or the Alternative Retirement Plan. Further information on the State's participation in the different retirement systems can be found in NOTE 9 to the financial statements.

### **RISK MANAGEMENT**

As discussed in NOTE 1P. to the financial statements, the State's primary government is self-insured for claims under the Ohio Med Health and

United Healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. Also, the State's primary government and its component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their workers' compensation liability.

### **ECONOMIC OVERVIEW AND OUTLOOK**

The economic expansion continued through 2006 and into 2007. Real gross domestic product (GDP) increased 3.3 percent in 2006, compared with a 3.2 percent increase in 2005. Core inflation ratcheted higher, despite a large decline in energy prices that pulled down overall inflation. The Federal Reserve raised short-term interest rates by another 100 basis points, and then paused. Market interest rates fluctuated in a relatively narrow range, ending the year little changed.

Ohio employment increased by 8,900 jobs in 2006, compared with gains of 15,600 jobs and 28,000 jobs in 2004 and 2005, respectively. The decline in manufacturing employment intensified during the year, especially in primary metals and transportation equipment. Outside manufacturing, employment at general merchandise stores and in local education posted declines. Employment expanded in accommodation and food service, health care and social assistance, professional and technical services, and transportation and warehousing.

Despite the weakening in Ohio labor markets, personal income accelerated for the third consecutive year. Personal income during the four quarters ending in the third quarter of 2006 was 4.3 percent higher than during the year earlier period. U.S. personal income increased 6.1 percent during the same time. On a per capita basis, personal income grew approximately 4.2 percent in Ohio and 5.2 percent in the U.S. Wage and salary disbursements grew 3.7 percent in Ohio and 6.3 percent in the U.S.

Economic growth nationally was driven primarily by consumer spending, which was fueled by continued solid growth in personal income. Steady growth in employment and faster growth in hourly earnings pushed incomes higher. Total employment increased 189,000 jobs per month on average during 2006, compared with 212,000 during 2005, as the unemployment rate fell to the lowest level since the beginning of the 2001 recession. Average hourly earnings grew by 4.3 percent from December 2005 to December 2006, up from 3.1 percent in 2005.

Nonetheless, growth in real consumer spending slowed during the middle two quarters of the year due to:

- a rise in financing costs that lifted the prime rate, for example, by a full percentage point during the year, on top of the 3½ percentage point increase during the previous two years,
- a more than 50 percent increase in the price of gasoline during the previous four years that contributed to a faster rate of price increase for a variety of consumer goods and services, and
- the reversal of the boom in housing construction, sales, and prices.

Real business fixed investment accelerated from 5.6 percent in 2005 on a fourth quarter to fourth quarter basis to 6.2 percent in 2006. The cause was a surge in growth in investment in nonresidential structures from 1.8 percent in 2005 to 10.7 percent during 2006. Investment was fueled by:

- growth in corporate cash flow of 12.5 percent and a widening in profit margins,
- an abundant supply of credit on largely favorable terms,
- continued growth in employment, and
- expanding markets overseas as well as domestically.

However, growth in investment in equipment and software slowed from seven percent to 4.4 percent.

One of the defining developments in the economy during 2006 was the reversal of the housing boom. Real investment in residential structures decreased 12.6 percent in 2006, after rising 8.4 percent at a compound annual rate from the fourth quarter of 2001 to the fourth quarter of 2005. Even though investment in residential structures comprises only about one-twentieth of total GDP, the effects of fluctuations in housing activity spread throughout the economy to:

- suppliers to the construction industry,
- the realtor industry,
- retailers in the home furnishings and related segments, and
- consumer spending beyond home-related purchases, as slower home price appreciation and outright declines in home values in some locations create a negative wealth effect.

The U.S. trade deficit was little changed in 2006, after widening by about 50 percent during 2001-2004 and stabilizing in 2005. Reflecting strengthening economic growth overseas, slowing growth

domestically, and some further depreciation in the dollar, export growth increased and import growth slowed in 2006. The growth rate of U.S. exports has exceeded the growth rate of imports on a year-over-year basis since the second quarter of 2005. The dollar is projected to remain weak in 2007, as:

- U.S. interest rates remain stable or fall and foreign interest rates continue to rise and
- growth in foreign economies improves relative to the U.S.

The trend inflation rate ratcheted higher in 2006, as energy price increases began to spread to non-energy goods and services. The consumer price index (CPI) increased 1.9 percent from the fourth quarter of 2005 to the fourth quarter of 2006 – down from 3.7 percent in 2005 – due to decreases in energy-related prices during the second half of the year. The core CPI, which excludes volatile food and energy prices accelerated to 2.7 percent in 2006 from 2.1 percent in 2005.

Both overall and core inflation are projected to be 2.1 percent in 2007, reflecting the pull-back in energy prices and the lagged effects of tighter monetary policy. The course of short-term interest rates will depend heavily on the actual path of inflation. Federal Reserve policymakers stopped raising short-term interest rates in mid-2006, due to signs that economic growth was slowing and the perceived likelihood that inflation would turn lower as a result. Market yields on fixed income securities incorporate expectations of a modest decline in short-term interest rates in 2007.

The consensus is for below-trend growth during 2007, but no recession, as the effects of the housing slump spread through the economy.

Global Insight predicts that real GDP will increase by 2.7 percent in 2007, down from 3.3 percent in 2006, and rebound to three percent in 2008. The negative effects from the downturns in housing and autos are not serious enough to cause a recession, in the estimation of most forecasters. But weakness in recent months in nonresidential construction, capital goods orders and shipments, and the ISM manufacturing index suggest the economy was losing momentum as 2006 came to a close.

Two keys to the outlook will be the effects of the downturn in housing on consumer spending and the extent of the slowdown in business investment. Consumer spending is expected to continue at approximately the same pace in 2007 as in 2006, before slowing a bit in 2008. Supporting spending will be steady growth in employment and earnings and the continued availability of credit on agreeable terms.

Business investment is predicted to slow in 2007 and 2008, but remain faster than overall growth. Investment slowed sharply late in 2006, perhaps in part due to the delay in computer orders ahead of the release of the new Vista operating system. Corporate cashflow is abundant and credit is widely available; however, slower growth in demand is expected to reduce profit growth and investment spending.

Trade is projected to add significantly to growth in 2007 and 2008, as growth in exports handily outpaces growth in imports. The multi-year decline in the foreign exchange value of the dollar, coupled with strong overseas economies, will bolster U.S. exports, while slower growth in demand in the U.S. will restrain growth in imports.

Global Insight also expects the foreign exchange value of the dollar to decrease further. Even with a stable trade deficit, the very large outflow of dollars leaves the currency vulnerable to a small decrease in the demand by foreign investors for dollar-denominated assets, which could weaken as growth, inflation and interest differentials between the U.S. and other major economies turn against the U.S.

The Federal Reserve is projected to reduce short-term interest rates by one 25 basis point step late in the third quarter in response to weaker economic growth and improving inflation. Long-term interest rates are projected to remain near recent levels on average in 2007. The Federal Reserve has some room to reduce short-term interest rates, but is constrained by weakness in the dollar and lingering concern about inflation.

Ohio employment growth is projected to increase 0.9 percent in 2007 and one percent in 2008 on a fourth quarter to fourth quarter basis, according to Global Insight. Those would be the best growth rates for Ohio employment since 1999. Employment in professional and business services and education and health services are expected to grow rapidly. Employment in construction and manufacturing is projected to decline in 2007.

Personal income is expected to benefit from more-rapidly rising employment and additional gains in productivity-led increases in wages and salaries. Even so, growth is projected to slow from an estimated 4.7 percent for all of 2006 to 4.3 percent in 2007, rising to 4.6 percent in 2008. The projected slowdown in income growth is due entirely to lower inflation. Real personal income is projected to accelerate in both 2007 and 2008.

Ohio retail sales are projected to slow from an estimated 4.9 percent increase in 2006 to 2.1 percent in 2007 and 2.8 percent in 2008. Car registrations are projected to fall 2.4 percent in 2007 and increase 1.2

percent in 2008, after falling by an estimated six percent in 2006. Housing starts are projected to decline 20 percent in 2007, before rebounding 11 percent in 2008. Ohio housing starts fell an estimated 22.4 percent in 2006.

The cumulative effects of tax reform in Ohio are expected to support hiring and production by increasing economic efficiency and reducing disincentives to do business in the state. The second year of a five-year 21 percent reduction in marginal personal income tax rates and the replacement of the corporate franchise tax and tangible personal property tax with a broad, low commercial activities tax will bring tax rates more in line with those in other states.

Following a temporary rebound in early 2006 from the negative effects of the late 2005 hurricanes, the U.S. economy decelerated during the middle two quarters of the year. The slowdown was concentrated in housing and motor vehicles, but started to affect other sectors. Economic growth nationally and in Ohio is projected to remain below trend during much of 2007, resulting in somewhat lower inflation and one interest rate decrease by the Federal Reserve.

Economic activity will be supported by flexible labor and product markets, rising worker productivity, relatively low inflation expectations, favorable tax policy, and strengthening foreign demand for U.S. goods and services. Risks to the economy include the Fed holding short-term interest rates too high, a renewed and prolonged rise in energy prices, and a global economic slump. The consensus among forecasters is that these risks are unlikely to impede economic growth in the near term.

## **MAJOR INITIATIVES – Living Within Our Means and Investing in What is Most Important**

### **Comprehensive Tax Reform**

In June 2005, Amended Substitute House Bill 66 (HB 66), the biennial budget bill, was signed into law. As described extensively in prior financial reports, this tax reform was a significant overhaul of Ohio's state and local tax structure. The entire tax reform package was designed to spur strong business development and new jobs. The reforms are phased-in between FY 2006 and FY 2010 and include:

- A 21 percent reduction in the income tax, phased in over five years;
- Elimination of the tangible personal property tax for general businesses and for telecommunications companies, phased in over four- and five-year periods, respectively;
- Elimination of the corporate franchise tax (except for financial institutions and

- their affiliates) over a five-year period; and
- Enactment of a commercial activity tax (CAT), phased in over five years.

By FY 2010, the estimated reductions in state taxes will reach \$2.4 billion. State taxes are not the only taxes reduced in this reform. The elimination of the local general business tangible personal property tax increases the size of the overall tax cut. Total tax reductions will reach \$3.7 billion by FY 2010 when the reform package is fully phased in.

### **State Operating Budget**

GRF appropriations for FY 2006 – FY 2007 in HB 66 will result in the two slowest growing fiscal years of the last 40 years, with GRF growth rates of 1.9 percent in FY 2006 and 2.6 percent in FY 2007. Many agencies will spend less from the GRF in FY 2007 than they spent in FY 2000. The majority of GRF spending increases over this time period can be attributed to increased investment in primary and secondary education and Medicaid, and ongoing costs for debt service and property tax relief programs.

As in the FY 2004-2005 budget, the FY 2006-2007 budget reduced or held flat many of the State's GRF-funded agencies and consolidated functions or activities of several state agencies. Of the State's 64 GRF-funded agencies, 24 remain at FY 2005 GRF levels or have decreased their reliance on GRF funding.

### **Improved Financial Management**

In response to the profound changes in Ohio's tax structure, the State will need to fundamentally change the way in which it manages scarce resources to reflect pending budget constraints. Over the coming four years, state spending reforms will include increased transparency, a focus on accountability and performance, improved financial systems management, improved cash management, precise debt management, and targeted investment of scarce resources.

### **Increased Transparency**

Ohio will enhance the transparency of its financial position for its citizens and investors. OBM will pursue awards for excellence in budget and financial reporting through the Government Financial Officers Association (GFOA). For the first time, the FY 2008-FY 2009 executive budget will present revenue and spending projections for four years (FY 2008 through FY 2011). Prior executive budgets presented only two years of financial data. The revenue constraint enacted in HB 66 tax reforms require a clear presentation of Ohio's near term financial position. Ohio has not received the GFOA award for budget reporting since the FY 2002 – FY 2003 executive budget.

OBM will also pursue the GFOA award for financial reporting for its FY 2006 CAFR. For FY 2005, Ohio didn't receive the award due to challenges in concluding audits related to the Bureau of Workers' Compensation within reporting deadlines. This is an area in which the administration has pledged to improve its performance.

### **Accountability and Performance**

Ohio will manage financial resources using a variety of accountability and performance measures to improve efficiency, accountability, and results of government programs. It will focus on clear goal setting in the budget process, identifying increased efficiency in the state's regulatory process, improving inter-agency collaborations and performance contracts for state agencies, and enhancing performance reporting.

### **Improved Financial Systems Management**

Ohio will improve its financial management and decision making when it completes deployment of a comprehensive enterprise information system throughout state government. When complete, the enterprise installation will be the most comprehensive enterprise IT system operating at a state level in the nation. OBM is in the second of three stages in the deployment of the Ohio Administrative Knowledge System (OAKS). The initial stage of OAKS, went live in January 2007 and implemented a new human resource system for state agencies to manage payroll and personnel. The second stage of OAKS implementation, scheduled to go live in July 2007, will provide OBM with new, enhanced financial management and reporting tools. The final stage of OAKS implementation, scheduled for January 2008, will deploy new, enhanced budget decision and management tools. In addition to providing new decision and management tools to public managers, OAKS implementation will require that the State works to upgrade skills and invests in human capital development in the workforce across agencies.

To enhance collections and revenue management, the Department of Taxation will deploy the State Taxation Revenue and Accounting System (STARS). STARS provides an integrated tax collection and audit system and replaces the state's existing separate tax software and administration systems for the twenty-four different taxes collected by the state. STARS will make it possible for the Department of Taxation to provide an improved quality of taxpayer services and enhance the compliance activities of the Department.

### **Cash Management**

The Treasurer of State and OBM are working cooperatively to update the State's cash flow models and procedures to maximize resources available. The two Offices will examine seasonal revenue collections in the State's various funds and unique spending patterns by each state agency to develop an up-

dated cash flow model. The updated cash flow model will enable the Treasurer of State and OBM to revise their investment strategies for improved return on investment of State resources.

#### ***Aggressive Management of Ohio Debt Structure and Bond Rating***

Ohio's long history of strong financial management is reflected in its top ranked bond rating position. Ohio is among the top ten states in achieving a AA1 bond rating from Moody's. Recently, three issues have resulted in a negative outlook for the state: (1) reporting issues related to the Bureau of Workers' Compensation; (2) tax changes; and (3) performance of the overall economy. We are committed to taking aggressive action to deal with these issues and assure that the State remains at this top notch position with rapid recognition of financial challenges and tight controls over State resources.

#### ***Investment in Strategic Priorities***

Ohio's investments in strategic priorities are focused tightly on two overarching goals critical to the long term stability and growth of the economy: (1) to boost personal income and (2) to increase the education attainment level of Ohioans. These two strategies will begin to turnaround Ohio's economy and propel the state into the 21<sup>st</sup> century. To do so, Ohio will invest in Ohio's traditional economic strengths, such as energy production and entrepreneurship, and programs that ensure Ohio has the most educated workforce possible. Targeted investment priorities include access to high-quality early care and education; schools that work for every child; expanded access to Ohio's colleges and universities, Ohio's regional economies, and globally competitive industries; and access to affordable health care.

#### **ADDITIONAL INFORMATION**

OBM provides access to the fiscal year 2006 *Ohio Comprehensive Annual Financial Report*, fiscal year 2006 *Ohio Budgetary Financial Report*, and other state-related financial data and information on the Internet at <http://www.obm.ohio.gov>.

#### **ACKNOWLEDGMENTS**

In conclusion, I wish to express my appreciation to the staffs of the various state agencies whose time and dedicated efforts made this report possible.

Sincerely,



J. Pari Sabety  
Director

# **STATE OF OHIO OFFICIALS**

As of June 30, 2006

## **EXECUTIVE**

Bob Taft  
Governor

Bruce Johnson  
Lieutenant Governor

Jim Petro  
Attorney General

Betty Montgomery  
Auditor of State

Jennette Bradley  
Treasurer of State

J. Kenneth Blackwell  
Secretary of State

## **LEGISLATIVE**

Bill Harris  
President of the Senate

Jon Husted  
Speaker of the House

## **JUDICIAL**

Thomas J. Moyer  
Chief Justice  
Supreme Court

# STATE OF OHIO ORGANIZATION CHART

<b>FINANCIAL REPORTING ENTITY</b>		
<b>PRIMARY GOVERNMENT</b>		
<b>LEGISLATIVE</b>	<b>EXECUTIVE</b>	<b>JUDICIAL</b>
<b>Senate</b> (33 Members)  <b>House of Representatives</b> (99 Members)	<b>Governor</b> <b>Lieutenant Governor</b> <b>Attorney General</b> <b>Auditor of State</b> <b>Secretary of State</b> <b>Treasurer of State</b> <b>State Board of Education</b> (11 Elected Members, and 6 At-Large Members)	<b>Supreme Court</b> Chief Justice and 6 Justices
<b>Governmental Activities:</b> <i>General Government:</i> Senate House of Representatives Legislative Service Commission Legislative Committees	<b>Governmental Activities:</b> <i>Primary, Secondary and Other Education:</i> Arts Council Department of Education Educational Telecommunications School for the Blind School for the Deaf State Library Board  <i>Higher Education Support:</i> Board of Regents Career Colleges and Schools Board  <i>Public Assistance and Medicaid:</i> Department of Job and Family Services  <i>Health and Human Services:</i> Department of Aging Department of Alcohol and Drug Addiction Services Department of Health Department of Mental Health Department of Mental Retardation Hispanic-Latino Affairs Commission Legal Rights Service Minority Health Commission Rehabilitation Services Commission Tobacco Use Prevention and Control Foundation Veterans' Home  <i>Justice and Public Protection:</i> Adjutant General Board of Tax Appeals Civil Rights Commission Department of Public Safety Department of Rehabilitation and Correction Department of Youth Services Ethics Commission Office of the Attorney General Public Defender Commission  <i>Environmental Protection and Natural Resources:</i> Department of Natural Resources Environmental Protection Agency Environmental Review Appeals Lake Erie Commission  <i>Transportation:</i> Department of Transportation	<b>Governmental Activities:</b> <i>Justice and Public Protection:</i> Supreme Court Judicial Conference Judiciary Court of Claims

(Continued)

<b>PRIMARY GOVERNMENT (Continued)</b>		
	<p><i>General Government:</i></p> <p>Capitol Square Review &amp; Advisory Board      Consumers' Counsel      Department of Administrative Services      Department of Commerce      Department of Insurance      Department of Taxation      Office of Budget and Management      Office of the Governor      Office of the Inspector General      Office of the Lieutenant Governor      Office of the Secretary of State      Office of the Treasurer of State      Public Utilities Commission      Racing Commission      Sinking Fund Commission      Other Boards and Commissions</p> <p><i>Community and Economic Development:</i></p> <p>Department of Agriculture      Department of Development      Expositions Commission      Public Works Commission      Southern Ohio Agricultural &amp; Community Development Foundation</p> <p><b>Business-Type Activities:</b></p> <p>Bureau of Workers' Compensation and Industrial Commission      Capitol Square Review &amp; Advisory Board —Underground Parking Garage      Department of Commerce— Liquor Control Division      Department of Job and Family Services— Unemployment Compensation Program      Lottery Commission      Office of the Auditor of State      Tuition Trust Authority</p>	
<b>COMPONENT UNITS</b>		
<p><b>Blended Component Units:</b></p> <p>Ohio Building Authority      (included in Governmental and Business-Type Activities)</p> <p>State Highway Patrol Retirement System      (included as Fiduciary Activities)</p> <p><b>Discretely Presented Component Units:</b></p> <p><i>Financing Authorities:</i></p> <p>Ohio Air Quality Development Authority      Ohio Water Development Authority</p> <p><i>Commissions:</i></p> <p>Cultural Facilities Commission      School Facilities Commission      eTech Ohio Commission</p>		<p><b>Discretely Presented Component Units (continued):</b></p> <p><i>State Universities:</i></p> <p>Bowling Green State University      Cleveland State University      Medical University of Ohio      Ohio State University      Shawnee State University      University of Cincinnati      Wright State University</p> <p><i>State Community Colleges:</i></p> <p>Cincinnati State      Columbus State      Northwest State      Southern State      Washington State</p> <p>Central State University      Kent State University      Miami University      Ohio University      University of Akron      University of Toledo      Youngstown State University</p> <p>Clark State      Edison State      Owens State      Terra State</p>
<b>JOINT VENTURES</b>		<b>RELATED ORGANIZATIONS</b>
<p>Great Lakes Protection Fund      Local Community Colleges      Technical Colleges</p>		<p>Higher Education Facility Commission      Ohio Housing Finance Agency      Ohio Legal Assistance Foundation      Ohio Turnpike Commission      Petroleum Underground Storage Tank Release Compensation Board</p>

# **FINANCIAL SECTION**





# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

The Honorable Ted Strickland, Governor  
State of Ohio  
Columbus, Ohio

We have audited the accompanying financial statements of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio (the State) as of and for the year ended June 30, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following organizations:

Primary Government: Office of the Auditor of State; Ohio Bureau of Workers' Compensation and Industrial Commission of Ohio; Office of Financial Incentives; State Treasury Asset Reserve of Ohio; Treasurer of State Lease Revenue Bonds; and Tuition Trust Authority.

Blended Component Units: Ohio Building Authority and State Highway Patrol Retirement System.

Discretely Presented Component Units: Bowling Green State University; Central State University; Cleveland State University; Kent State University; Miami University; Ohio State University; Ohio University; Shawnee State University; University of Akron; University of Cincinnati; University of Toledo; Wright State University; Youngstown State University; Cincinnati State Community College; Clark State Community College; Columbus State Community College; Edison State Community College; Northwest State Community College; Owens State Community College; Southern State Community College; Terra State Community College; Washington State Community College; Medical University of Ohio; and Ohio Water Development Authority.

In addition, we did not audit the financial statements of the Public Employees Retirement System, Police and Fire Pension Fund, State Teachers Retirement System, and School Employees Retirement System, whose assets are held by the Treasurer of State and are included as part of the State's Aggregate Remaining Fund Information. These financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

Opinion Unit	Percent of Opinion Unit's Total Assets	Percent of Opinion Unit's Total Revenues / Additions
Governmental Activities	2%	0%
Business-Type Activities	92%	44%
Aggregate Discretely Presented Component Units	96%	90%
Aggregate Remaining Fund Information	84%	25%
Workers' Compensation	100%	100%

Those financial statements listed above were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these independently audited organizations is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the State of Ohio as of June 30, 2006, and respective changes in financial position and cash flows, where applicable, and respective budgetary comparisons for the general and major special revenue funds thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, during fiscal year 2006, the State of Ohio adopted GASB Statements:

- No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.
- No. 46, *Net Assets Restricted by Enabling Legislation — an amendment of GASB Statement No. 34*, which clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government can compel a government to honor.
- No. 47, *Accounting for Termination Benefits*, which provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated.

The Management's Discussion and Analysis and Infrastructure Assets Accounted for Using the Modified Approach, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the State's basic financial statements. The introductory section, combining fund statements, individual fund schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We and the other auditors subjected the combining fund statements and individual fund schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, based on our audit and the reports of the other auditors, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Mary Taylor, CPA  
Auditor of State

March 23, 2007

**State of Ohio**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2006**  
(Unaudited)

**Introduction**

This section of the State of Ohio's annual financial report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2006. The management's discussion and analysis section should be read in conjunction with the preceding transmittal letter and the State's financial statements, which follow.

**Financial Highlights**

*Government-wide Financial Statements*

Net assets of the State's primary government reported in the amount of \$19.47 billion, as of June 30, 2006, increased \$1.71 billion since the previous year. Net assets of the State's component units reported in the amount of \$12.76 billion, as of June 30, 2006, increased \$1.3 billion since the end of last fiscal year.

*Fund Financial Statements*

Governmental funds reported combined ending fund balances of \$6.07 billion that was comprised of \$310.7 million reserved for specific purposes, such as for debt service, state and local highway construction, and federal programs; \$6.68 billion reserved for nonappropriable items, such as encumbrances, noncurrent loans receivable, loan commitments, and inventories; \$1.01 billion in designations for budget stabilization and other purposes; and a \$1.93 billion deficit.

As of June 30, 2006, the General Fund's fund balance was approximately \$1.91 billion, including \$50.4 million reserved for "other" specific purposes, as detailed in NOTE 17; \$567.3 million reserved for nonappropriable items; and \$1.01 billion in designations for budget stabilization and other purposes. The General Fund's fund balance increased by \$627.2 million (exclusive of a \$5.6 million increase in inventories) or 49.1 percent during fiscal year 2006. Due to greater-than-expected personal income tax revenue for fiscal year 2006 and executive-ordered and other spending reductions, the General Fund ended the year with an overall positive fund balance. Various transfers-in from other funds provided additional resources to cover anticipated spending in the General Fund during fiscal year 2006.

Proprietary funds reported net assets of \$523.5 million, as of June 30, 2006, an increase of \$873.5 million since June 30, 2005. Most of the net increase was due to the \$863.2 million net gains reported for the Workers' Compensation Enterprise Fund. Increases in net assets of \$11.7 million for the Unemployment Compensation Enterprise Fund and \$11.8 million for the Tuition Trust Authority Enterprise Fund offset a decrease in net assets of \$22.4 million in the Lottery Commission Enterprise Fund. The loss for the Lottery Commission Enterprise Fund is largely attributable to decreases in investment income. For the Workers' Compensation Enterprise Fund, the increase is mainly due to a decline in benefit payments and premium credits to employers of \$1.22 billion. The Tuition Trust Authority's increase in net assets resulted from investment income exceeding tuition benefit payments by \$12.8 million. The Unemployment Compensation Enterprise Fund's increase in net assets resulted from increases in premium and assessment income of \$121.7 million in fiscal year 2006, and decreases in benefits and claims expenses of \$23.9 million.

*Long-Term Debt — Bonds and Notes Payable and Certificates of Participation Obligations*

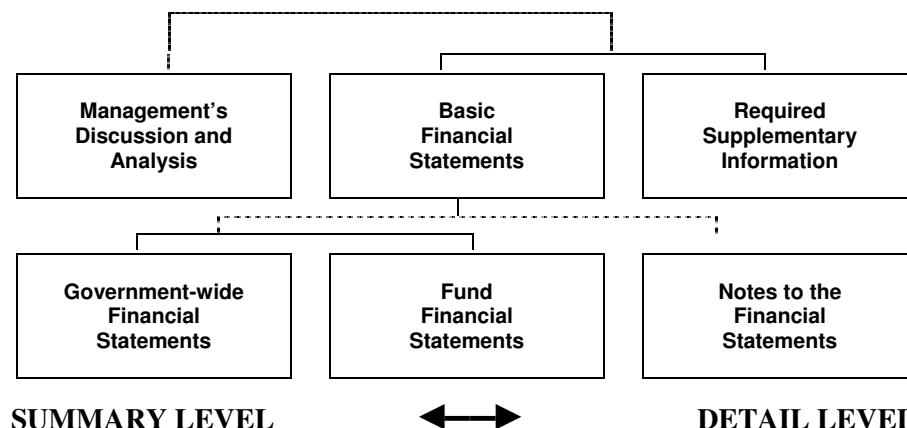
Overall, the carrying amount of total long-term debt for the State's primary government increased \$582.9 million or 5.5 percent during fiscal year 2006 to end the fiscal year with a reported balance of \$11.16 billion in long-term debt. During the year, the State issued at par \$1.37 billion in general obligation bonds, of which \$121.4 million were refunding bonds, \$199.3 million in revenue bonds, and \$109.8 million in special obligation bonds, of which \$34.8 million were refunding bonds. Changes in the primary government's long-term debt for fiscal year 2006 can be found in NOTE 15.

## Overview of the Financial Statements

This annual report consists of management's discussion and analysis, basic financial statements, including the accompanying notes to the financial statements, required supplementary information, and combining statements for the nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component unit funds. The basic financial statements are comprised of the government-wide financial statements and fund financial statements.

Figure 1 below illustrates how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, as explained later, this report includes an optional section that contains combining statements that provide details about the State's nonmajor governmental and proprietary funds and discretely presented component units.

**Figure 1**  
Required Components of the  
State of Ohio's Annual Financial Report



The *Government-wide Financial Statements* provide financial information about the State as a whole, including its component units.

The *Fund Financial Statements* focus on the State's operations in more detail than the government-wide financial statements. The financial statements presented for governmental funds report on the State's general government services. Proprietary fund statements report on the activities that the State operates like private-sector businesses. Fiduciary fund statements provide information about the financial relationships in which the State acts solely as a trustee or agent for the benefit of others outside of the government, to whom the resources belong.

Following the fund financial statements, the State includes financial statements for its major component units within the basic financial statements section. Nonmajor component units are also presented in aggregation under a single column in the component unit financial statements.

The basic financial statements section includes notes that more fully explain the information in the government-wide and fund financial statements; the notes provide more detailed data that are essential to a full understanding of the data presented in the financial statements. The notes to the financial statements can be found on pages 52 through 124 of this report.

In addition to the basic financial statements and accompanying notes, a section of required supplementary information further discusses the assessed condition and estimated and actual maintenance and preservation costs of the state's highway and bridge infrastructure assets that are reported using the modified approach. Limited in application to a government's infrastructure assets, the modified approach provides an alternative to the traditional recognition of depreciation expense. Required supplementary information can be found on pages 125 through 128 of this report.

Figure 2 on the following page summarizes the major features of the State's financial statements.

<b>Figure 2</b> <b>Major Features of the State of Ohio's Government-wide and Fund Financial Statements</b>				
<b>Fund Statements</b>				
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire State government (except fiduciary funds) and the State's component units	The activities of the State that are not proprietary or fiduciary, such as general government, transportation, justice and public protection, etc.	Activities the State operates similar to private businesses, such as the workers' compensation insurance program, lottery, tuition credit program	Instances in which the State is the trustee or agent for someone else's resources
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

### **Government-wide Financial Statements**

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities. For these statements, the State applies accounting methods similar to those used by private-sector companies; that is, the State follows the accrual basis of accounting and the economic resources focus when preparing the government-wide financial statements. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of the timing of related cash inflows or outflows.

The two government-wide financial statements report the State's net assets and how they have changed. Net assets — the difference between the State's assets and liabilities — is one way to measure the State's financial health, or position. Over time, increases or decreases in the State's net assets indicate whether its financial health has improved or deteriorated, respectively. However, a reader should consider additional nonfinancial factors such as changes in the State's economic indicators and the condition of the State's highway system when assessing the State's overall financial status.

The State's government-wide financial statements, which can be found on pages 20 through 23 of this report, are divided into three categories as follows.

**Governmental Activities** — Most of the State's basic services are reported under this category, such as primary, secondary and other education, higher education support, public assistance and Medicaid, health and human services, justice and public protection, environmental protection and natural resources, transportation, general government, and community and economic development. Taxes, federal grants, charges for services, including license, permit, and other fee income, fines, and forfeitures, and restricted investment income finance most of these activities.

**Business-type Activities** — The State charges fees to customers to help cover the costs of certain services it provides. The State reports the following programs and activities as business-type: workers' compensation insur-

ance program, lottery operations, unemployment compensation program, the leasing and maintenance operations of the Ohio Building Authority, guaranteed college tuition credit program, liquor control operations, underground parking garage operations at the statehouse, and the Auditor of State's governmental auditing and accounting services.

**Component Units** — The State presents the financial activities of the School Facilities Commission, Cultural Facilities Commission, eTech Ohio Commission, Ohio Water Development Authority, Ohio Air Quality Development Authority, and 23 state-assisted colleges and universities as discretely presented component units under a separate column in the government-wide financial statements. The Ohio Building Authority is presented as a blended component unit with its activities blended and included under governmental and business-type activities. Although legally separate, the State is financially accountable for its component units, as is further explained in NOTE 1A. to the financial statements.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the State's most significant funds — not the State as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. State law and bond covenants mandate the use of some funds. The Ohio General Assembly establishes other funds to control and manage money for particular purposes or to show that the State is properly using certain taxes and grants. The State employs fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State has three kinds of funds — governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds** — Most of the State's basic services are included in governmental funds, which focus on how cash and other financial assets that can readily be converted to cash flow in and out (i.e., near-term inflows and outflows of spendable resources) and the balances remaining at year-end that are available for spending (i.e., balances of spendable resources). Consequently, the governmental fund financial statements provide a detailed short-term view that helps the financial statement reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The State prepares the governmental fund financial statements applying the modified accrual basis of accounting and a current financial resources focus. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation schedule, which follows each of the governmental fund financial statements, explains the relationship (or differences) between them.

The State's governmental funds include the General Fund and 15 special revenue funds, 21 debt service funds, and 11 capital projects funds. Under separate columns, information is presented in the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and the Job, Family and Other Human Services, Education, Highway Operating, and Revenue Distribution special revenue funds, all of which are considered major funds. Data from the other 43 governmental funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic governmental fund financial statements. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

For budgeted governmental funds, the State also presents budgetary comparison statements and schedules in the basic financial statements and combining statements, respectively, to demonstrate compliance with the appropriated budget. The State's budgetary process is explained further in NOTE 1D. to the financial statements.

The basic governmental fund financial statements can be found on pages 24 through 35 of this report while the combining fund statements and schedules can be found on pages 132 through 189.

**Proprietary Funds** — Services for which the State charges customers a fee are generally reported in proprietary funds. Financial statements for the proprietary funds, which are classified as enterprise funds, provide both long- and short-term financial information. Like the government-wide financial statements, the State prepares the proprietary fund financial statements for its eight enterprise funds applying the accrual basis of accounting and an economic resources focus.

Under separate columns, information is presented in the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for the Workers' Compensation, Lottery Commission, and Unemployment Compensation enterprise funds, all of which are considered to be major funds. Data from the other five enterprise funds, which are classified as nonmajor funds, are combined into an aggregated presentation under a single column on the basic proprietary fund financial statements. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements elsewhere in this report.

The enterprise funds are the same as the State's business-type activities reported in the government-wide financial statements, but the proprietary fund financial statements provide more detail and additional information, such as information on cash flows. The basic proprietary fund financial statements can be found on pages 36 through 43 of this report while the combining fund statements can be found on pages 192 through 199.

**Fiduciary Funds** — The State is the trustee, or fiduciary, for assets that — because of a trust arrangement — can only be used for the trust beneficiaries. The State is responsible for ensuring the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. The State excludes the State Highway Patrol Retirement System Pension Trust Fund, Variable College Savings Plan Private-Purpose Trust Fund, STAR Ohio Investment Trust Fund, and the agency funds from its government-wide financial statements because the State cannot use these assets to finance its operations. The basic fiduciary fund financial statements can be found on pages 44 through 47 of this report.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

**Net Assets.** During fiscal year 2006, as shown in the table below, the combined net assets of the State's primary government increased \$1.61 billion or 9 percent. Net assets reported for governmental activities increased \$738.7 million or 4.1 percent and business-type activities increased \$873.3 million. Condensed financial information derived from the Statement of Net Assets for the primary government follows.

**Primary Government  
Statement of Net Assets  
As of June 30, 2006  
With Comparatives as of June 30, 2005  
(dollars in thousands)**

	As of June 30, 2006			As of June 30, 2005 (as restated)*		
	Govern- mental Activities	Business- Type Activities	Total Primary Government	Govern- mental Activities	Business- Type Activities	Total Primary Government
<b>Assets:</b>						
Current and Other Noncurrent Assets .....	\$16,168,793	\$21,449,240	\$37,618,033	\$14,886,874	\$24,904,062	\$39,790,936
Capital Assets.....	23,828,773	137,283	23,966,056	23,302,596	155,175	23,457,771
<b>Total Assets</b> .....	<b>39,997,566</b>	<b>21,586,523</b>	<b>61,584,089</b>	<b>38,189,470</b>	<b>25,059,237</b>	<b>63,248,707</b>
<b>Liabilities:</b>						
Current and Other Liabilities .....	9,343,834	(416,894)	8,926,940	8,951,203	3,418,792	12,369,995
Noncurrent Liabilities .....	11,710,147	21,479,919	33,190,066	11,033,381	21,990,295	33,023,676
<b>Total Liabilities</b> .....	<b>21,053,981</b>	<b>21,063,025</b>	<b>42,117,006</b>	<b>19,984,584</b>	<b>25,409,087</b>	<b>45,393,671</b>
<b>Net Assets:</b>						
Invested in Capital Assets,						
Net of Related Debt.....	20,889,063	10,363	20,899,426	20,285,186	(1,839)	20,283,347
Restricted.....	2,121,564	760,376	2,881,940	1,908,583	793,531	2,702,114
Unrestricted (Deficits) .....	(4,067,042)	(247,241)	(4,314,283)	(3,988,883)	(1,141,542)	(5,130,425)
<b>Total Net Assets</b> .....	<b>\$18,943,585</b>	<b>\$523,498</b>	<b>\$19,467,083</b>	<b>\$18,204,886</b>	<b>\$ (349,850)</b>	<b>\$17,855,036</b>

\*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

As of June 30, 2006, the primary government's investment in capital assets (i.e., land, buildings, land improvements, machinery and equipment, vehicles, infrastructure, and construction-in-progress), less related outstanding debt, was \$20.9 billion. Restricted net assets were approximately \$2.88 billion, resulting in a \$4.31 billion deficit. Net assets are restricted when constraints on their use are 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) legally imposed through constitutional or enabling legislation. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The government-wide Statement of Net Assets reflects a \$4.07 billion deficit for unrestricted governmental activities. The State of Ohio, like many other state governments, issues general and special obligation debt, the proceeds of which benefit local governments and component units. The proceeds are used to build facilities for public-assisted colleges and universities and local school districts and finance infrastructure improvements for local governments. The policy of selling general obligation and special obligation bonds for these purposes has been the practice for many years. Of the \$10.21 billion of outstanding general obligation and special obligation debt at June 30, 2006, \$7.03 billion is attributable to debt issued for state assistance to component units (School Facilities Commission and the colleges and universities) and local governments. The balance sheets of component unit and local government recipients reflect ownership of the related constructed capital assets without the burden

of recording the debt. Unspent proceeds related to these bond issuances are included on the Statement of Net Assets as restricted net assets. By issuing such debt, the State is left to reflect significant liabilities without the benefit of recording the capital assets constructed with the proceeds from the debt issuances.

Additionally, as of June 30, 2006, the State's governmental activities have significant unfunded liabilities for compensated absences in the amount of \$420.7 million (see NOTE 14A.) and a \$957.7 million interfund payable due to the workers' compensation component of business-type activities for the State's workers' compensation liability (see NOTE 7A.). These unfunded liabilities also contribute to the reported deficit for governmental activities.

Condensed financial information derived from the Statement of Activities, which reports how the net assets of the State's primary government changed during fiscal years 2006 and 2005, follows.

**Primary Government  
Statement of Activities**  
**For the Fiscal Year Ended June 30, 2006**  
**With Comparatives for the Fiscal Year Ended June 30, 2005**  
(dollars in thousands)

	Fiscal Year 2006			Fiscal Year 2005 (as restated)*		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
<b>Program Revenues:</b>						
Charges for Services, Fees, Fines and Forfeitures.....	\$2,810,257	6,197,814	\$9,008,071	\$ 2,554,433	\$6,056,105	\$8,610,538
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	14,336,540	883,003	15,219,543	13,774,602	1,183,511	14,958,113
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	1,288,100	—	1,288,100	1,088,146	—	1,088,146
<b>Total Program Revenues.....</b>	<b>18,434,897</b>	<b>7,080,817</b>	<b>25,515,714</b>	<b>17,417,181</b>	<b>7,239,616</b>	<b>24,656,797</b>
<b>General Revenues:</b>						
General Taxes .....	21,567,653	—	21,567,653	20,653,898	—	20,653,898
Taxes Restricted for Transportation .....	1,850,939	—	1,850,939	1,753,390	—	1,753,390
Tobacco Settlement.....	336,044	—	336,044	321,335	—	321,335
Escheat Property .....	93,782	—	93,782	91,867	—	91,867
Unrestricted Investment Income .....	128,772	—	128,772	46,797	2,040	48,837
Other .....	295	932	1,227	287	5,837	6,124
<b>Total General Revenues.....</b>	<b>23,977,485</b>	<b>932</b>	<b>23,978,417</b>	<b>22,867,574</b>	<b>7,877</b>	<b>22,875,451</b>
<b>Total Revenues .....</b>	<b>42,412,382</b>	<b>7,081,749</b>	<b>49,494,131</b>	<b>40,284,755</b>	<b>7,247,493</b>	<b>47,532,248</b>
<b>Expenses:</b>						
Primary, Secondary and Other Education .....	11,157,283	—	11,157,283	10,500,807	—	10,500,807
Higher Education Support.....	2,608,007	—	2,608,007	2,475,281	—	2,475,281
Public Assistance and Medicaid .....	14,909,149	—	14,909,149	14,247,598	—	14,247,598
Health and Human Services .....	3,526,763	—	3,526,763	3,333,997	—	3,333,997
Justice and Public Protection.....	3,111,577	—	3,111,577	2,972,666	—	2,972,666
Environmental Protection and Natural Resources.....	406,632	—	406,632	397,852	—	397,852
Transportation.....	1,925,841	—	1,925,841	2,080,958	—	2,080,958
General Government .....	952,248	—	952,248	670,146	—	670,146
Community and Economic Development.....	3,618,550	—	3,618,550	3,432,302	—	3,432,302
Interest on Long-Term Debt (excludes interest charged as program expense) .....	175,732	—	175,732	175,700	—	175,700
Workers' Compensation .....	—	2,011,480	2,011,480	—	3,232,669	3,232,669
Lottery Commission .....	—	1,625,309	1,625,309	—	1,581,100	1,581,100
Unemployment Compensation .....	—	1,161,776	1,161,776	—	1,194,040	1,194,040
Ohio Building Authority .....	—	25,797	25,797	—	27,327	27,327
Tuition Trust Authority.....	—	67,162	67,162	—	30,214	30,214
Liquor Control .....	—	423,373	423,373	—	401,187	401,187
Underground Parking Garage.....	—	2,993	2,993	—	2,692	2,692
Office of Auditor of State.....	—	71,729	71,729	—	73,501	73,501
<b>Total Expenses.....</b>	<b>42,391,782</b>	<b>5,389,619</b>	<b>47,781,401</b>	<b>40,287,307</b>	<b>6,542,730</b>	<b>46,830,037</b>
Surplus/(Deficiency) Before Transfers .....	20,600	1,692,130	1,712,730	(2,552)	704,763	702,211
Transfers-Internal Activities .....	818,636	(818,636)	—	807,653	(807,653)	—
Change in Net Assets .....	839,236	873,494	1,712,730	805,101	(102,890)	702,211
Net Assets, July 1 (as restated).....	18,104,349	(349,996)	17,754,353	17,399,785	(246,960)	17,152,825
<b>Net Assets, June 30.....</b>	<b>\$18,943,585</b>	<b>\$523,498</b>	<b>\$19,467,083</b>	<b>\$18,204,886</b>	<b>(\$349,850)</b>	<b>\$17,855,036</b>

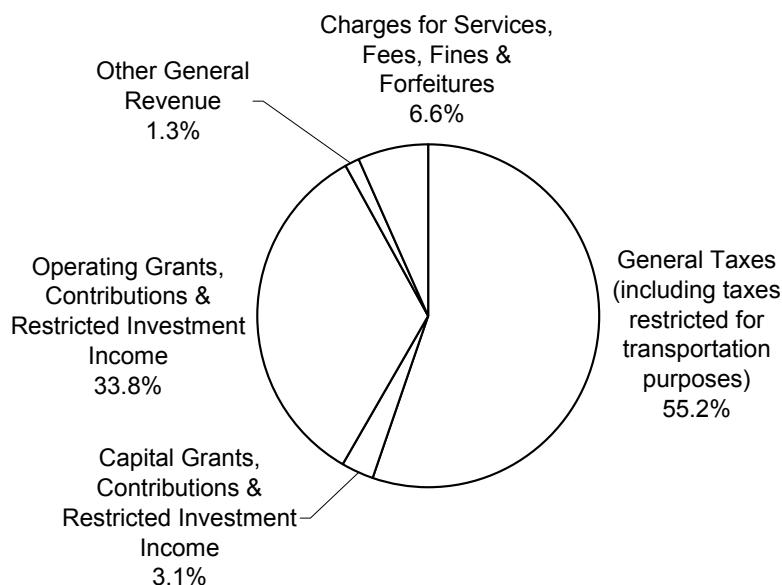
\*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

## **Governmental Activities**

Revenues slightly outpaced expenses during fiscal year 2006, and when combined with transfers from the State's business-type activities, net assets for governmental activities increased from \$18.1 billion, at July 1, 2005, as restated, to \$18.94 billion, at June 30, 2006, or \$839.2 million. Revenues for fiscal year 2006 in the amount of \$42.41 billion were 5.3 percent higher than those reported for fiscal year 2005. This increase in revenues can, in part, be attributed to strong personal income tax, corporation franchise tax, and cigarette tax collections, which offset decreases in sales tax collections. Expenses followed the trend as the reported \$42.39 billion in spending represented a 5.2 percent increase over fiscal year 2005. Net transfers for fiscal year 2006 also increased to \$818.6 million, or by 1.4 percent, when compared to fiscal year 2005.

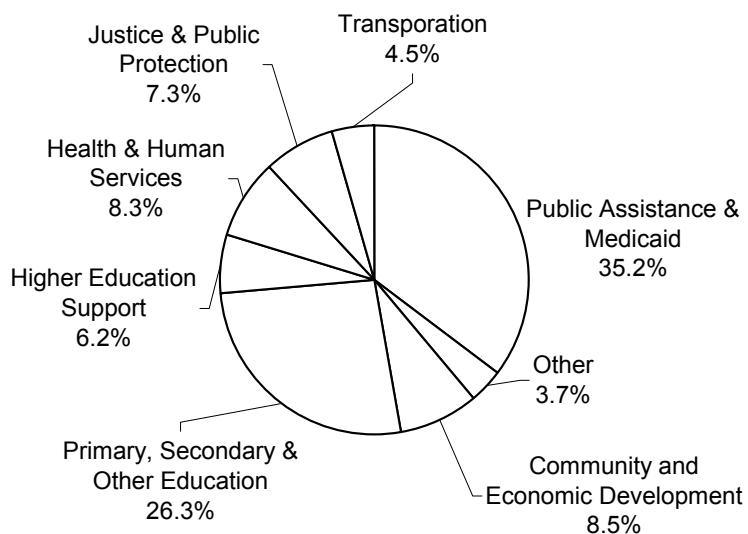
The following charts illustrate revenue by sources and expenses by program of governmental activities as percentages of total revenues and program expenses, respectively, reported for the fiscal year ended June 30, 2006.

**Governmental Activities — Sources of Revenue  
Fiscal Year 2006**



**Total FY 06 Revenue for Governmental Activities = \$42.41 Billion**

**Governmental Activities — Expenses by Program  
Fiscal Year 2006**



**Total FY 06 Program Expenses for Governmental Activities = \$42.39 Billion**

The following tables present the total expenses and net cost of each of the State's governmental programs for the fiscal years ended June 30, 2006 and 2005. The net cost (total program expenses less revenues generated by the program) represents the financial burden that was placed on the State's taxpayers by each of these programs; costs not covered by program revenues are essentially funded with the State's general revenues, which are primarily comprised of taxes, tobacco settlement revenue, escheat property, and unrestricted investment income.

**Program Expenses and Net Costs of Governmental Activities by Program**  
**For the Fiscal Year Ended June 30, 2006**  
**With Comparatives for the Fiscal Year Ended June 30, 2005**  
*(dollars in thousands)*

Program	For the Fiscal Year Ended June 30, 2006			
	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education .....	\$11,157,283	\$ 9,503,034	85.2%	22.4%
Higher Education Support .....	2,608,007	2,570,775	98.6	6.1
Public Assistance and Medicaid.....	14,909,149	4,751,780	31.9	11.2
Health and Human Services .....	3,526,763	1,289,924	36.6	3.0
Justice and Public Protection .....	3,111,577	1,881,421	60.5	4.5
Environmental Protection and Natural Resources.....	406,632	126,932	31.2	.3
Transportation .....	1,925,841	553,793	28.8	1.3
General Government.....	952,248	160,992	16.9	.4
Community and Economic Development .....	3,618,550	2,942,502	81.3	6.9
Interest on Long-Term Debt .....	175,732	175,732	100.0	.4
Total Governmental Activities .....	<u>\$42,391,782</u>	<u>\$23,956,885</u>	56.5	56.5%
For the Fiscal Year Ended June 30, 2005 (as restated) *				
Program	Program Expenses	Net Cost of Program	Net Cost as Percentage of Total Expenses for Program	Net Cost as Percentage of Total Expenses — All Programs
Primary, Secondary and Other Education .....	\$10,500,807	\$8,867,939	84.5%	22.0%
Higher Education Support .....	2,475,281	2,458,391	99.3	6.1
Public Assistance and Medicaid.....	14,247,598	4,373,022	30.7	10.9
Health and Human Services .....	3,333,997	1,221,040	36.6	3.0
Justice and Public Protection .....	2,972,666	1,811,792	61.0	4.5
Environmental Protection and Natural Resources.....	397,852	138,895	34.9	.4
Transportation .....	2,080,958	919,793	44.2	2.3
General Government.....	670,146	147,334	22.0	.4
Community and Economic Development .....	3,432,302	2,756,220	80.3	6.8
Interest on Long-Term Debt .....	175,700	175,700	100.0	.4
Total Governmental Activities .....	<u>\$40,287,307</u>	<u>\$22,870,126</u>	56.8	56.8%

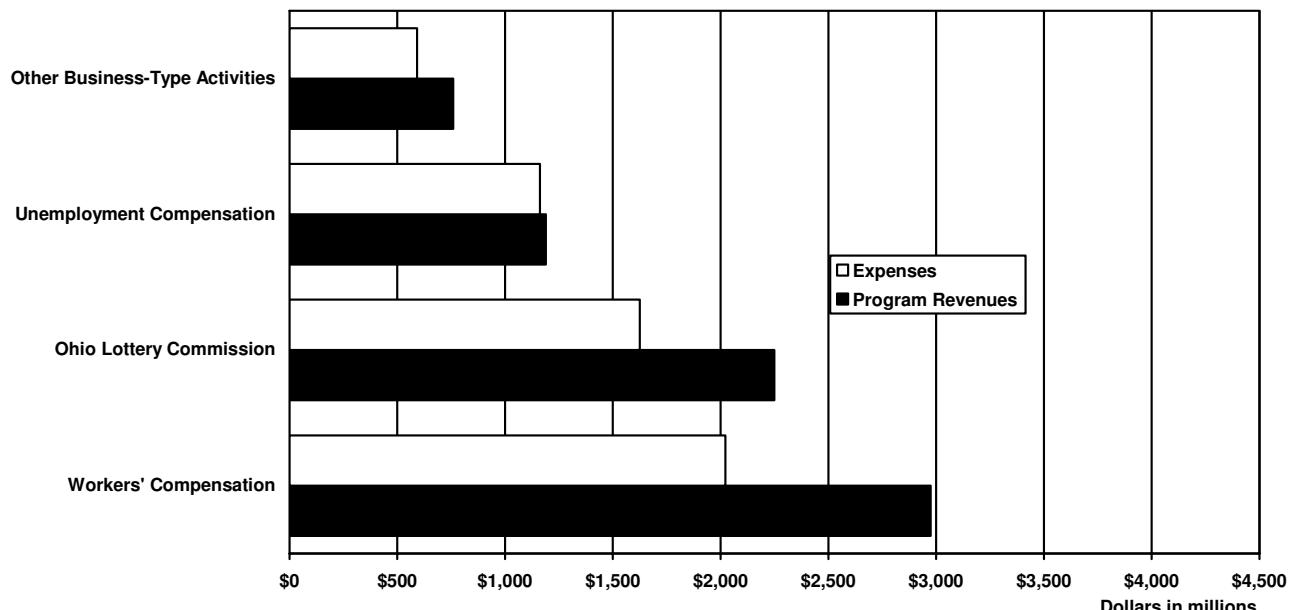
\*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

#### **Business-Type Activities**

The State's enterprise funds reported net assets of \$523.5 million, as of June 30, 2006, as compared to \$(350) million in net assets, as of June 30, 2005. The primary reason for the increase in business-type activities was the Workers' Compensation Fund, which reported net assets of \$(126.6) million, as of June 30, 2006, as compared to \$(989.8) million, an 863.2 million increase since June 30, 2005. The Unemployment Compensation Fund posted an \$11.7 million or 1.8 percent increase in net assets during fiscal year 2006 when the fund reported net assets of

\$675.7 million, as of June 30, 2006. The Tuition Trust Authority Fund reported net assets of \$(228.8) million, as of June 30, 2006, as compared to \$(240.6) million in net assets, as of June 30, 2005, a 4.9 percent increase, while the Lottery Commission Fund reported \$129.6 million in net assets as of June 30, 2006, compared to \$152.1 million in net assets as of June 30, 2005, a 14.7 percent decrease. The chart below compares program expenses and program revenues for business-type activities.

**Business-Type Activities — Expenses and Program Revenues  
Fiscal Year 2006**



## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

Governmental funds reported the following results, as of and for the fiscal years ended June 30, 2006 and June 30, 2005 (dollars in thousands).

As of and for the Fiscal Year Ended June 30, 2006				
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance (Deficit) .	\$ 281,261	\$ (3,033,576)	\$ 819,835	\$ (1,932,480)
Designated Fund Balance .....	1,010,689	—	—	1,010,689
Total Fund Balance .....	1,909,683	1,023,218	3,134,233	6,067,134
Total Revenues .....	26,044,204	12,453,561	3,936,363	42,434,128
Total Expenditures .....	25,215,953	12,272,170	6,329,065	43,817,188

As of and for the Fiscal Year Ended June 30, 2005 (as restated)*				
	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved/Undesignated Fund Balance (Deficit) .	\$ —	\$ (3,182,789)	\$ 846,736	\$ (2,336,053)
Designated Fund Balance .....	649,420	—	—	649,420
Total Fund Balance .....	1,276,815	645,800	3,212,671	5,135,286
Total Revenues .....	25,452,628	10,986,081	3,802,370	40,241,079
Total Expenditures .....	24,444,884	11,124,976	5,890,767	41,460,627

\*Note that the restatements for June 30, 2005 do not include the effects of changes in reporting entity (see NOTE 2A).

### *General Fund*

Fund balance for the General Fund, the main operating fund of the State, increased by \$627.2 million (exclusive of a \$5.6 million increase in inventories) or 49.1 percent during the current fiscal year. Key factors for most of the increase were strong personal income tax revenue resulting from an expansion in the economy, increased corporate and public utility tax collections due to the imposition of the new commercial activity tax (CAT), a portion of which was deposited into the General Fund, and increased cigarette tax collections due to an increase in the cigarette tax. These increases in tax revenues, when coupled with investment proceeds that more than doubled compared to fiscal year 2005, outpaced mandated spending increases in the Public Assistance and Medicaid function and in the Primary, Secondary and Other Education function.

### *General Fund Budgetary Highlights*

The State ended the first year of its biennial budget period on June 30, 2006 with a General Fund budgetary fund balance (i.e., cash less encumbrances) of \$2.07 billion. Total budgetary sources for the General Fund (including \$425.6 million in transfers from other funds) in the amount of \$27.72 billion were above final estimates by \$219.5 million or .8 percent during fiscal year 2006, while total tax receipts were above final estimates by \$241.9 million or 1.2 percent. During fiscal year 2006, it was not necessary to use any of the \$568.4 million that had been designated for budget stabilization purposes at June 30, 2005.

Total budgetary uses for the General Fund (including \$273.4 million in transfers to other funds) in the amount of \$27.52 billion were below final estimates by \$676.6 million or 2.4 percent for fiscal year 2006.

Consistent with state law, the Governor's Executive Budget for the 2006-07 biennium was released in February 2005 and introduced in the General Assembly. After extended hearings and review, the appropriations act (Act) for the 2006-07 biennium for the General Revenue Fund (GRF), the largest, non-GAAP, budgetary-basis operating fund included in the State's General Fund, was passed by the General Assembly and signed (with selective vetoes) by the Governor on June 30, 2005.

The Act provided for total GRF biennial revenue of approximately \$51.5 billion (a 3.8-percent increase over the 2004-05 biennial revenue) and total GRF biennial expenditures of approximately \$51.3 billion (a five-percent increase over the 2004-05 biennial expenditures). Spending increases for major program categories over the 2004-05 actual expenditures were: 5.8 percent for Medicaid (the Act also included a number of Medicaid reform and cost containment initiatives); 3.4 percent for higher education; 4.2 percent for elementary and secondary education; 5.5 percent for corrections and youth services; and 4.8 percent for mental health and mental retardation.

The GRF expenditure authorizations for the 2006-07 biennium reflected and were supported by significant restructuring of major State taxes, including:

- A 21-percent reduction in Ohio's personal income tax rates phased in at 4.2 percent a year over the 2005 through 2009 tax years.
- Phased elimination of the corporate franchise tax at a rate of approximately 20 percent a year over the 2006 through 2010 tax years (except for its continuing application to financial institutions and certain affiliates of insurance companies and financial institutions).
- Implementation of a new commercial activity tax (CAT) on gross receipts from doing business in Ohio that will be phased in over the 2006 through 2010 fiscal years. When fully phased in, the CAT will be levied at a rate of 0.26 percent on gross receipts in excess of \$1 million. (The inclusion of wholesale and retail food sales for off-premise consumption, projected to produce approximately \$140 million annually once the CAT is fully-phased in, is subject to a legal challenge.) In the next four fiscal years, as the CAT phases-in, the General fund is not expected to receive any revenues from this tax unless collections exceed estimates. Instead, all the tax receipts will be used to compensate school districts and local governments for tax revenues lost due to the phase-out of the tangible personal property tax. In addition, supplemental transfers from the General fund will probably be needed to fully replace the tangible personal property tax losses.
- A 5.5-percent state sales and use tax (reduced from the six-percent rate in effect during the 2004-05 biennium).
- An increase in the cigarette tax rate from 55 cents a pack (of 20 cigarettes) to \$1.25 a pack.

The State ended fiscal year 2006 with a GRF cash balance of \$1.53 billion and a GRF budgetary fund balance of \$1.03 billion. Of the ending GRF budgetary fund balance, the State carried forward \$631.9 million to cover the

variance of GRF appropriations over estimated revenue for fiscal year 2007, to offset the one-time cost of accelerating the phase-in of reductions in Ohio's personal income tax withholding rates, and to maintain 0.5 percent of GRF revenue for fiscal year 2007 as an ending fund balance. Additionally, the State made a fiscal year-end designation that resulted in a cash transfer-out from the GRF in early fiscal year 2007 in the amount of \$394 million, which includes \$40.5 million in receipts collected from a broad tax-amnesty initiative and deposited in the state treasury in June 2006, for budget stabilization purposes.

#### *Other Major Governmental Funds*

Fund balance for the *Job, Family and Other Human Services Fund*, as of June 30, 2006, was \$177.7 million, an increase of \$294.1 million as compared to the deficit of \$116.4 million at June 30, 2005. Revenues exceeded expenditures by \$250.8 million, while net transfers-in totaled \$43.3 million.

Fund balance for the *Education Fund*, as of June 30, 2006, totaled \$64.8 million, a decrease of \$1.8 million since June 30, 2005. Fiscal year 2006 net transfers-in for the fund in the amount of \$626.7 million were not quite enough to cover the excess of expenditures over revenues reported for the fund in the amount of \$628.5 million.

Fund balance for the *Highway Operating Fund*, as of June 30, 2006, totaled \$752.8 million, an increase of \$171.8 million (including a \$7 million increase in inventories) since June 30, 2005. The increase was due to an increase in the fund's revenues to \$2.11 billion in fiscal year 2006 from \$1.81 billion in fiscal year 2005. The revenue increase for this fund was due in part to a two-cent increase in the motor vehicle fuel tax rate from 26 cents a gallon to 28 cents a gallon, effective July 1, 2005. Expenditures in the amount of \$2.16 billion also increased significantly during fiscal year 2006 when compared to the \$2.05 billion in expenditures reported for fiscal year 2005.

Fund balance for the *Revenue Distribution Fund*, as of June 30, 2006, totaled \$27.9 million, a decrease of \$86.7 million since June 30, 2005. Fiscal year 2006 net transfers-out to other governmental funds of \$700.3 million were greater than the \$613.7 million excess of revenues over expenditures, thus contributing to the decrease in fund balance.

#### *Major Proprietary Funds*

The State's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

For the *Workers' Compensation Fund*, the \$863.2 million increase in net assets was primarily due to a decrease in benefit payments of approximately \$983 million, and the elimination of any payments of premium credits to employers in fiscal year 2006. These changes resulted in a decrease in operating expenses of \$1.22 billion, to \$2.01 billion in fiscal year 2006 from \$3.23 billion in fiscal year 2005. The Bureau of Workers' Compensation reported net investment income of \$763.8 million compared to net investment income of \$988.4 million reported in the previous fiscal year. The decrease in net investment income was primarily attributable to a change in the investment strategy and asset allocations. Prior to the third quarter of fiscal year 2006, investments were primarily in fixed maturities, domestic equity securities, and international securities with 77 external managers. These contracts were terminated, and substantially all assets were transitioned to a passively managed bond index fund that replicates the medium duration Lehman Aggregate Bond index. As a result of these changes, the fair value of the investment portfolio in fiscal year 2006 increased by \$104.9 million compared to the \$488.1 million increase in fair value during fiscal year 2005. These decreases in investment income were partially offset by a \$230.4 million increase in earnings on fixed maturity investments during fiscal year 2006 as compared to fiscal year 2005.

Workers' compensation benefits and claims expenses were \$169.5 million less than premium and assessment income in fiscal year 2006, whereas in fiscal year 2005 benefits and claims expenses exceeded premium and assessment income by \$715.7 million.

Workers' compensation benefits and claims expenses were \$1.93 billion in fiscal year 2006 as compared to \$2.92 billion in fiscal year 2005. The decrease in workers' compensation benefits is due largely to reductions in the cost of pharmacy benefits, lower hospital costs, and decreases in the number of newly awarded permanent total disability claims, all of which had a favorable impact on the calculation of medical reserves.

For fiscal year 2006, the *Lottery Commission Fund* reported \$624.3 million in net income before transfers of \$646.3 million and \$472 thousand to the Education and General funds, respectively, posting a \$22.4 million decrease in the fund's net assets. For fiscal year 2005, the *Lottery Commission Fund* reported \$674.3 million in income before transfers of \$645.1 million and \$536 thousand to the Education and General funds, respectively, posting a \$28.6 million increase in the fund's net assets. The fiscal year 2006 decrease in the Lottery Commission fund's net assets is primarily due to investment income of \$22.3 million in fiscal year 2006, as compared to

\$90.5 million in fiscal year 2005. The decrease in investment income was primarily due to the net effect of recognizing an unrealized loss on the investments dedicated to the payment of annuity prizes.

Unemployment benefits and claims expenses of \$1.16 billion were \$23.8 million less than in fiscal year 2005, while premium and assessment income of \$1.12 billion exceeded that of fiscal year 2005 by \$121.7 million for the *Unemployment Compensation Fund*, which contributed to the increase in the fund's net assets of \$11.8 million for fiscal year 2006. For calendar years 2005 and 2006, Ohio's annualized average unemployment rate was 6.1 percent and 5.9 percent, respectively, according to the U.S. Department of Labor.

#### *Nonmajor Proprietary Funds*

For fiscal year 2006, the *Tuition Trust Authority Fund* reduced its deficit by \$11.8 million or 4.9 percent. The Authority's primary source of operating income is investment income (due to the suspension of the sale of tuition credits), while the primary operating expense is for tuition benefit payments. The deficit reduction, therefore, was primarily due to investment income of \$69.6 million exceeding benefits and claims expenses of \$56.8 million, by \$12.8 million. Tuition benefits expense increased by \$35.2 million, or 162.8 percent, over fiscal year 2005.

The *Liquor Control Fund* reported an increase to net assets of \$6.7 million, or 35 percent, after transferring \$138 million to the General Fund and \$38.9 million to other governmental funds. Sales increased in the amount of \$50.6 million, which, less the related increase in cost of goods sold of \$19.8 million, provided the resources necessary to increase transfers to governmental funds by \$22.3 million over fiscal year 2005.

The net assets of the *Office of Auditor of State Fund* increased by \$2.5 million, or 23.7 percent, to \$12.8 million, during fiscal year 2006. This increase was primarily due to a decrease in operating expenses of \$2.1 million, which is primarily attributable to a decrease in the Office's liability for workers' compensation.

In fiscal year 2006, transfers from proprietary funds to governmental funds totaled \$881 million, up \$13.5 million or 1.6 percent when compared to the \$867.5 million in transfers-out reported in fiscal year 2005.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2006 and June 30, 2005, the State had invested \$23.97 billion and \$23.46 billion, net of accumulated depreciation of \$2.31 billion and \$2.14 billion, respectively, in a broad range of capital assets, as detailed in the table below.

**Capital Assets, Net of Accumulated Depreciation**  
**As of June 30, 2006**  
**With Comparatives as of June 30, 2005**  
*(dollars in thousands)*

	As of June 30, 2006			As of June 30, 2005 (as restated)		
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total
Land .....	\$ 1,736,463	\$ 11,994	\$ 1,748,457	\$ 1,632,382	\$ 11,994	\$ 1,644,376
Buildings.....	1,995,971	106,607	2,102,578	1,996,106	113,831	2,109,937
Land Improvements .....	186,105	15	186,120	170,386	16	170,402
Machinery and Equipment .....	191,668	15,809	207,477	171,528	27,332	198,860
Vehicles.....	132,658	2,080	134,738	130,050	1,931	131,981
Infrastructure:						
Highway Network:						
General Subsystem .....	8,337,768	—	8,337,768	8,315,025	—	8,315,025
Priority Subsystem.....	7,196,979	—	7,196,979	6,823,023	—	6,823,023
Bridge Network .....	2,430,629	—	2,430,629	2,332,077	—	2,332,077
Parks, Recreation, and Natural Resources System.....	39,034	—	39,034	31,329	—	31,329
Construction-in-Progress .....	22,247,275	136,505	22,383,780	21,601,906	155,104	21,757,010
	1,581,498	778	1,582,276	1,700,690	71	1,700,761
Total Capital Assets, Net .....	\$23,828,773	\$137,283	\$23,966,056	\$23,302,596	\$155,175	\$23,457,771

During fiscal year 2006, the State recognized \$236.6 million in annual depreciation expense relative to its general governmental capital assets as compared with \$212.7 million in depreciation expense recognized in fiscal year 2005.

Additionally, the State completed construction on a variety of projects at various state facilities during fiscal year 2006 totaling approximately \$612.4 million, as compared with \$388.4 million in the previous fiscal year. The total increase in the State's capital assets, net of accumulated depreciation, for the current fiscal year was 2.17 percent (about a 2.26 percent increase for governmental activities and an 11.53 percent decrease for business-type activities). As is further detailed in NOTE 19E. of the notes to the financial statements, the State had \$114.4 million in major construction commitments (unrelated to infrastructure), as of June 30, 2006, as compared with the \$159.2 million balance reported for June 30, 2005.

#### *Modified Approach*

For reporting its highway and bridge infrastructure assets, the State has adopted the use of the modified approach. The modified approach allows a government *not to report depreciation expense* for eligible infrastructure assets if the government manages the eligible infrastructure assets using an asset management system that possesses certain characteristics and the government can document that the eligible infrastructure assets are being preserved approximately at (or above) a condition level it sets (and discloses). Under the modified approach, the State is required to expense all spending (i.e., preservation and maintenance costs) on infrastructure assets except for additions and improvements. Infrastructure assets accounted for using the modified approach include approximately 42,668 in lane miles of highway (12,500 in lane miles for the priority highway subsystem and 30,168 in lane miles for the general highway subsystem) and approximately 83.4 million square feet of deck area that comprises 12,531 bridges for which the State has the responsibility for ongoing maintenance.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities. It is the State's goal to allow no more than 25 percent of the total lane-miles reported for each of the priority and general subsystems, respectively, to be classified with a "poor" condition rating. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2005, indicates that only 3.6 percent and 1.9 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating. For calendar year 2004, only 4.5 percent and 2.2 percent of the priority and general subsystems, respectively, were assigned a "poor" condition rating.

For the bridge network, it is the State's intention to allow no more than 15 percent of the total number of square feet of deck area to be in "fair" or "poor" condition. The most recent condition assessment, completed by the Ohio Department of Transportation for calendar year 2005, indicates that only 2.7 percent and .01 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively. For calendar year 2004, only 2.8 percent and .02 percent of the number of square feet of bridge deck area were considered to be in "fair" and "poor" conditions, respectively.

For fiscal year 2006, total actual maintenance and preservation costs for the priority and general subsystems were \$410 million and \$312.1 million, respectively, compared to estimated costs of \$376.6 million for the priority system and \$214.8 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$262 million compared to estimated costs of \$246.1 million. For the previous fiscal year, total actual maintenance and preservation costs for the priority and general subsystems were \$350.4 million and \$292.3 million respectively, compared to estimated costs of \$337.2 million for the priority system and \$197.7 million for the general system, while total actual maintenance and preservation costs for the bridge network was \$231.9 million compared to estimated costs of \$241.7 million.

More detailed information on the State's capital assets can be found in NOTE 8 to the financial statements and in the Required Supplementary Information section of the report.

#### **Debt — Bonds and Notes Payable and Certificates of Participation Obligations**

The State's general obligation bonds are backed by its full faith and credit. Revenue bonds issued by the State, including the Ohio Building Authority (OBA), a blended component unit of the State, are secured with revenues pledged for the retirement of debt principal and the payment of interest. Special obligation bonds issued by the State and the OBA are supported with lease payments from tenants of facilities constructed with the proceeds from the bond issuances. Under certificate of participation (COPs) financing arrangements, the State is required to make rental payments (subject to appropriations) that approximate interest and principal payments made by trustees to certificate holders.

During fiscal year 2006, the State issued at par \$1.37 billion in general obligation bonds, \$199.3 million in revenue bonds, and \$109.8 million in special obligation bonds. Of the general obligation bonds and special obligation bonds issued at par, \$121.4 million and \$34.8 million, respectively, were refunding bonds. The total increase in the State's debt obligations for the current fiscal year, as based on carrying amount, was 5.5 percent (a 5.8 percent increase for governmental activities and a 10.5 percent decrease for business-type activities).

As of June 30, 2006 and June 30, 2005, the State had total debt of approximately \$11.16 billion and \$10.57 billion, respectively, as shown in the table below.

**Bonds and Notes Payable and Certificates of Participation**  
**As of June 30, 2006**  
**With Comparatives as of June 30, 2005**  
*(dollars in thousands)*

	As of June 30, 2006			As of June 30, 2005		
	Govern- mental Activities	Business-Type Activities	Total	Govern- mental Activities	Business-Type Activities	Total
<b>Bonds and Notes Payable:</b>						
General Obligation Bonds .....	\$ 6,893,521	\$ —	\$ 6,893,521	\$ 6,039,203	\$ —	\$ 6,039,203
Revenue Bonds and Notes.....	720,675	135,215	855,890	591,888	151,063	742,951
Special Obligation Bonds .....	3,317,325	—	3,317,325	3,699,936	—	3,699,936
Certificates of Participation.....	90,389	—	90,389	92,142	—	92,142
Total Debt .....	<u>\$11,021,910</u>	<u>\$135,215</u>	<u>\$11,157,125</u>	<u>\$10,423,169</u>	<u>\$151,063</u>	<u>\$10,574,232</u>

*Credit Ratings*

Ohio's credit ratings for general obligation debt are Aa1 by Moody's Investors Service, Inc. (Moody's) and AA+ by Fitch Inc. (Fitch). Standard & Poor's Ratings Services (S&P) rates the State's general obligation debt as AA+, except for Highway Capital Improvement Obligations, which are rated AAA.

For special obligation bonds, which the Ohio Building Authority and the Treasurer of State issue and General Revenue Fund appropriations secure, Moody's rating is Aa2 while S&P and Fitch rate these bonds AA.

The State's revenue bonds are rated as follows:

Revenue Bonds	Fitch	Moody's	S&P	Source of State Payment
Governmental Activities:				
Treasurer of State:				
Economic Development.....	A+	Aa3	AA-	Net Liquor Profits
State Infrastructure Bank.....	AA-	Aa2	AA	Federal Transportation Grants
Revitalization Projects .....	A+	A1	A+	Net Liquor Profits
Business-Type Activities:				
Bureau of Workers' Compensation .....	AA	Aa3	AA	Workers' Compensation Enterprise Fund
Ohio Building Authority .....	AA	Aa2	AA	Lease-Rental Receipts

On February 16, 2007, Moody's changed their "credit outlook" on the State from "stable" to "negative." The change in credit outlook is not a precursor to a rating change, but is an indication over the intermediate to longer term of a potential change.

*Limitations on Debt*

Section 17 of Article VIII of the Ohio Constitution, approved by Ohio voters in November 1999, establishes an annual debt service "cap" applicable to future issuances of direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, new obligations may not be issued if debt service for any future fiscal year on those new and the then outstanding bonds of those categories would exceed five percent of the total of estimated GRF revenues plus net state lottery proceeds for the fiscal year of issuance.

Those direct obligations of the State include general obligation and special obligation bonds that are paid from the State's GRF, but exclude general obligation bonds payable from non-GRF funds (such as highway bonds that are paid from highway user receipts). Pursuant to the implementing legislation, the Governor has designated the Director of the Ohio Office of Budget and Management as the state official responsible for making the five-percent determinations and certifications. Application of the five-percent cap may be waived in a particular instance by a three-fifths vote of each house of the Ohio General Assembly, and that cap does not apply to bonds issued to re-

tire bond anticipation notes for which the requirements were met as to the bonds anticipated at the time of note issuance, or to debt issued to defend the State in time of war.

More detailed information on the State's long-term debt, including changes during the year, can be found in NOTES 10 through 13 and NOTE 15 of the financial statements.

## **Conditions Expected to Affect Future Operations**

### *Economic Factors*

Nationally, economic indicators turned negative as February 2007 came to a close. Real gross domestic product (GDP) expanded 2.2 percent in the fourth quarter, down from the original estimate of 3.5 percent. This marks the third consecutive quarter with less than three percent real growth in the GDP, and the first such trend since the three quarters ending in the first quarter of calendar year 2003. Real GDP grew at a rate of 3.3 percent for the year, as compared to 3.2 percent for 2005. Consumer spending, exports, and government purchases contributed to the growth in the GDP, but increased inventories held down the rate of growth. Consumer spending remains strong, as does investment in nonresidential structures and exports, but housing is extremely weak. Most forecasters predict that economic activity will rebound to estimates later in the year.

Consumer spending in the Midwest continues to follow national trends, while Midwest retail sales were flat in January 2007 as compared to December 2006, and on a year-over-year basis, retail sales increased only 1.8 percent. By comparison, retail sales nationally were also unchanged from December 2006 to January 2007, and increased 2.3 percent for the year.

Ohio employment decreased during December 2006—the seventh straight monthly decline. Job losses were concentrated in Manufacturing and Government. Job gains occurred primarily in Trade, Transportation and Utilities, Educational and Health Services, and Leisure and Hospitality. Total employment was up by 8,900 jobs from December 2005—well below the trend of the past two years.

### *General Revenue Fund*

The Ohio Constitution prohibits the State from borrowing money to fund operating expenditures in the General Revenue Fund (GRF). Therefore, by law, the GRF's budget must be balanced so that appropriations do not exceed available cash receipts and cash balances for the current fiscal year.

Through February, 2007, GRF revenues and disbursements remain under estimates. Fiscal year-to-date GRF revenues were \$250 million, or 1.5 percent, below expectations, but GRF tax sources were \$80.5 million, or 0.7 percent, above the estimate. In comparison with the same point in time in fiscal year 2006, year-to-date GRF revenue decreased by \$335.7 million, or 2.1 percent.

Fiscal year-to-date sale and use tax receipts were below estimate by \$104.3 million, or 2.1 percent, due to the implementation of various tax reforms mentioned previously, as well as weakness in the sales tax. As a result, total tax receipts have fallen \$182.5 million, or 1.5 percent, below fiscal year 2006 year-to-date levels. Other tax receipts, in total, were above estimates for fiscal year-to-date, most notably the personal income tax (\$56.9 million, or 1.1 percent), and the corporate franchise tax (\$137 million, or 40.9 percent). Federal grants were below estimate by \$360.5 million, or 8.9 percent, due to lower than expected spending on healthcare, which has caused both federal grant receipts and healthcare disbursements to fall below estimate.

Year-to-date GRF disbursements were below estimate by \$702 million, or 3.9 percent, primarily due to healthcare disbursements which were below estimate by \$459.9 million, or 6.7 percent. In comparison with the same point in time in fiscal year 2006, year-to-date GRF disbursements decreased \$259.2 million, or 1.5 percent.

## **Contacting the Ohio Office of Budget and Management**

This financial report is designed to provide the State's citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions regarding any of the information provided in this report or requests for additional financial information should be addressed to the Ohio Office of Budget and Management, Financial Reporting Section, 30 East Broad Street, 34<sup>th</sup> Floor, Columbus, Ohio 43215-3457 or by e-mail at [obm@obm.state.oh.us](mailto:obm@obm.state.oh.us).

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# **BASIC FINANCIAL STATEMENTS**

**STATE OF OHIO**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2006**  
(dollars in thousands)

	<b>PRIMARY GOVERNMENT</b>			
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>ASSETS:</b>				
Cash Equity with Treasurer.....	\$ 6,789,609	\$ 89,382	\$ 6,878,991	\$ 582,299
Cash and Cash Equivalents.....	104,753	207,112	311,865	699,997
Investments.....	891,754	16,105,147	16,996,901	5,815,309
Collateral on Lent Securities.....	3,857,013	44,698	3,901,711	323,246
Deposit with Federal Government.....	—	625,375	625,375	—
Taxes Receivable.....	1,527,630	—	1,527,630	—
Intergovernmental Receivable.....	1,351,168	12,317	1,363,485	43,385
Premiums and Assessments Receivable.....	—	2,148,529	2,148,529	—
Loans Receivable, Net.....	934,775	—	934,775	259,003
Receivable from Primary Government.....	—	—	—	47,582
Other Receivables.....	566,216	216,319	782,535	905,606
Inventories.....	54,887	36,414	91,301	52,056
Other Assets.....	90,988	18,554	109,542	522,948
Restricted Assets:				
Cash Equity with Treasurer.....	—	800	800	13,847
Cash and Cash Equivalents.....	—	1,540	1,540	479,264
Investments.....	—	1,577,356	1,577,356	2,052,554
Collateral on Lent Securities.....	—	351,854	351,854	7,832
Intergovernmental Receivable.....	—	—	—	288
Loans Receivable, Net.....	—	—	—	3,231,764
Other Receivables.....	—	13,843	13,843	—
Capital Assets Being Depreciated, Net.....	2,484,446	124,511	2,608,957	6,996,991
Capital Assets Not Being Depreciated.....	21,344,327	12,772	21,357,099	1,426,406
<b>TOTAL ASSETS.....</b>	<b>39,997,566</b>	<b>21,586,523</b>	<b>61,584,089</b>	<b>23,460,377</b>
<b>LIABILITIES:</b>				
Accounts Payable.....	625,602	47,917	673,519	427,863
Accrued Liabilities.....	326,283	4,761	331,044	512,700
Medicaid Claims Payable.....	996,080	—	996,080	—
Obligations Under Securities Lending.....	3,857,013	396,552	4,253,565	331,078
Intergovernmental Payable.....	1,474,164	1,362	1,475,526	402
Internal Balances.....	964,090	(964,090)	—	—
Payable to Component Units.....	47,617	—	47,617	—
Unearned Revenue.....	185,385	954	186,339	190,089
Benefits Payable.....	—	16,067	16,067	—
Refund and Other Liabilities.....	867,600	79,583	947,183	82,781
Noncurrent Liabilities:				
Bonds and Notes Payable:				
Due in One Year.....	1,019,930	18,803	1,038,733	812,632
Due in More Than One Year.....	9,911,591	116,412	10,028,003	5,296,245
Certificates of Participation:				
Due in One Year.....	800	—	800	725
Due in More Than One Year.....	89,589	—	89,589	27,140
Other Noncurrent Liabilities:				
Due in One Year.....	128,834	2,588,709	2,717,543	1,254,655
Due in More Than One Year.....	559,403	18,755,995	19,315,398	1,760,668
<b>TOTAL LIABILITIES.....</b>	<b>21,053,981</b>	<b>21,063,025</b>	<b>42,117,006</b>	<b>10,696,978</b>

The notes to the financial statements are an integral part of this statement.

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>NET ASSETS:</b>				
<i>Invested in Capital Assets,</i>				
<i>Net of Related Debt</i> .....	20,889,063	10,363	20,899,426	5,095,188
<i>Restricted for:</i>				
<i>Primary, Secondary and Other Education</i>	9,607	—	9,607	—
<i>Transportation and Highway Safety</i> .....	921,993	—	921,993	—
<i>State and Local</i>				
<i>Highway Construction</i> .....	127,121	—	127,121	—
<i>Federal Programs</i> .....	75,776	—	75,776	19
<i>Coal Research and Development Program</i> .....	—	—	—	7,352
<i>Clean Ohio Program</i> .....	93,682	—	93,682	—
<i>Community and Economic Development and Capital Purposes</i> .....	883,385	—	883,385	13,847
<i>Debt Service</i> .....	—	—	—	2,274,289
<i>Enterprise Bond Program</i> .....	10,000	—	10,000	—
<i>Workers' Compensation</i> .....	—	—	—	—
<i>Deferred Lottery Prizes</i> .....	—	56,669	56,669	—
<i>Unemployment Compensation</i> .....	—	675,666	675,666	—
<i>Ohio Building Authority</i> .....	—	28,041	28,041	—
<i>Nonexpendable for Colleges and Universities</i> .....	—	—	—	3,070,470
<i>Expendable for Colleges and Universities</i> .....	—	—	—	1,742,318
<i>Unrestricted (Deficits)</i> .....	(4,067,042)	(247,241)	(4,314,283)	559,916
<b>TOTAL NET ASSETS</b> .....	<b>\$ 18,943,585</b>	<b>\$ 523,498</b>	<b>\$ 19,467,083</b>	<b>\$ 12,763,399</b>

**STATE OF OHIO**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

**PROGRAM REVENUES**

FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES, FEES, FINES AND FORFEITURES	OPERATING GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	CAPITAL GRANTS, CONTRIBUTIONS AND RESTRICTED INVESTMENT INCOME/(LOSS)	NET (EXPENSE) REVENUE	
<b>PRIMARY GOVERNMENT:</b>						
<b>GOVERNMENTAL ACTIVITIES:</b>						
Primary, Secondary						
and Other Education.....	\$ 11,157,283	\$ 35,497	\$ 1,618,752	\$ —	\$ (9,503,034)	
Higher Education Support .....	2,608,007	5,186	32,046	—	(2,570,775)	
Public Assistance and Medicaid .....	14,909,149	639,821	9,517,548	—	(4,751,780)	
Health and Human Services .....	3,526,763	236,049	1,998,901	1,889	(1,289,924)	
Justice and Public Protection .....	3,111,577	912,421	315,031	2,704	(1,881,421)	
Environmental Protection						
and Natural Resources.....	406,632	192,237	86,016	1,447	(126,932)	
Transportation .....	1,925,841	25,581	84,148	1,262,319	(553,793)	
General Government .....	952,248	474,975	296,540	19,741	(160,992)	
Community and Economic						
Development.....	3,618,550	288,490	387,558	—	(2,942,502)	
Interest on Long-Term Debt						
(excludes interest charged as						
program expense).....	175,732	—	—	—	(175,732)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>42,391,782</b>	<b>2,810,257</b>	<b>14,336,540</b>	<b>1,288,100</b>	<b>(23,956,885)</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>						
Workers' Compensation.....	2,011,480	2,118,571	763,812	—	870,903	
Lottery Commission.....	1,625,309	2,227,386	22,258	—	624,335	
Unemployment Compensation.....	1,161,776	1,163,397	25,414	—	27,035	
Ohio Building Authority.....	25,797	26,239	1,741	—	2,183	
Tuition Trust Authority.....	67,162	9,289	69,629	—	11,756	
Liquor Control.....	423,373	606,905	—	—	183,532	
Underground Parking Garage.....	2,993	2,590	42	—	(361)	
Office of Auditor of State.....	71,729	43,437	107	—	(28,185)	
<b>TOTAL BUSINESS-TYPE ACTIVITIES...</b>	<b>5,389,619</b>	<b>6,197,814</b>	<b>883,003</b>	<b>—</b>	<b>1,691,198</b>	
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 47,781,401</b>	<b>\$ 9,008,071</b>	<b>\$ 15,219,543</b>	<b>\$ 1,288,100</b>	<b>\$ (22,265,687)</b>	
<b>COMPONENT UNITS:</b>						
School Facilities Commission.....	\$ 555,648	\$ 2,765	\$ 19,850	\$ —	\$ (533,033)	
Ohio Water Development Authority.....	122,637	133,014	136,944	—	147,321	
Ohio State University.....	3,361,245	2,266,045	595,846	18,548	(480,806)	
University of Cincinnati.....	985,018	366,466	403,975	7,587	(206,990)	
Other Component Units.....	4,176,506	2,549,765	500,757	48,047	(1,077,937)	
<b>TOTAL COMPONENT UNITS.....</b>	<b>\$ 9,201,054</b>	<b>\$ 5,318,055</b>	<b>\$ 1,657,372</b>	<b>\$ 74,182</b>	<b>\$ (2,151,445)</b>	

The notes to the financial statements are an integral part of this statement.

<b>PRIMARY GOVERNMENT</b>				
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>	<b>COMPONENT UNITS</b>
<b>CHANGES IN NET ASSETS:</b>				
Net (Expense) Revenue.....	\$ (23,956,885)	\$ 1,691,198	\$ (22,265,687)	\$ (2,151,445)
<b>General Revenues:</b>				
Taxes:				
Income.....	9,854,803	—	9,854,803	—
Sales.....	7,623,513	—	7,623,513	—
Corporate and Public Utility .....	2,359,338	—	2,359,338	—
Cigarette.....	1,084,143	—	1,084,143	—
Other.....	645,856	—	645,856	—
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,850,939	—	1,850,939	—
Total Taxes.....	23,418,592	—	23,418,592	—
Tobacco Settlement.....	336,044	—	336,044	—
Escheat Property.....	93,782	—	93,782	—
Unrestricted Investment Income.....	128,772	—	128,772	376,464
State Assistance .....	—	—	—	2,945,098
Other.....	295	932	1,227	44,561
Additions to Endowments and Permanent Fund Principal.....	—	—	—	83,114
Transfers-Internal Activities.....	818,636	(818,636)	—	—
<b>TOTAL GENERAL REVENUES, CONTRIBUTIONS, AND TRANSFERS...</b>	<b>24,796,121</b>	<b>(817,704)</b>	<b>23,978,417</b>	<b>3,449,237</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>839,236</b>	<b>873,494</b>	<b>1,712,730</b>	<b>1,297,792</b>
<b>NET ASSETS, JULY 1 (as restated)..</b>	<b>18,104,349</b>	<b>(349,996)</b>	<b>17,754,353</b>	<b>11,465,607</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 18,943,585</b>	<b>\$ 523,498</b>	<b>\$ 19,467,083</b>	<b>\$ 12,763,399</b>

# STATE OF OHIO

## BALANCE SHEET

### GOVERNMENTAL FUNDS

JUNE 30, 2006

(dollars in thousands)

#### MAJOR FUNDS

	<u>GENERAL</u>	<u>JOB, FAMILY AND OTHER HUMAN SERVICES</u>	<u>EDUCATION</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer . . . . .	\$ 2,821,124	\$ 216,807	\$ 86,812
Cash and Cash Equivalents . . . . .	12,294	1,940	60
Investments . . . . .	459,646	9,327	2,885
Collateral on Lent Securities . . . . .	1,611,799	122,620	49,099
Taxes Receivable . . . . .	1,088,389	—	—
Intergovernmental Receivable . . . . .	346,082	417,688	143,882
Loans Receivable, Net . . . . .	244,202	—	44
Interfund Receivable . . . . .	2,925	—	—
Other Receivables . . . . .	267,998	71,813	308
Inventories . . . . .	24,254	—	—
Other Assets . . . . .	15,403	1,929	5,141
<b>TOTAL ASSETS</b> . . . . .	<b>\$ 6,894,116</b>	<b>\$ 842,124</b>	<b>\$ 288,231</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable . . . . .	\$ 176,138	\$ 53,253	\$ 13,587
Accrued Liabilities . . . . .	119,791	15,630	1,728
Medicaid Claims Payable . . . . .	880,091	—	—
Obligations Under Securities Lending . . . . .	1,611,799	122,620	49,099
Intergovernmental Payable . . . . .	377,211	230,590	59,946
Interfund Payable . . . . .	701,130	21,011	2,466
Payable to Component Units . . . . .	14,967	372	2,735
Deferred Revenue . . . . .	314,209	162,275	10,389
Unearned Revenue . . . . .	—	42,761	83,463
Refund and Other Liabilities . . . . .	778,848	15,905	—
Liability for Escheat Property . . . . .	10,249	—	—
<b>TOTAL LIABILITIES</b> . . . . .	<b>4,984,433</b>	<b>664,417</b>	<b>223,413</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service . . . . .	—	—	—
Encumbrances . . . . .	302,720	2,164,476	21,376
Noncurrent Portion of Loans Receivable . . . . .	240,365	—	42
Loan Commitments . . . . .	—	—	—
Inventories . . . . .	24,254	—	—
State and Local Highway Construction . . . . .	—	—	—
Federal Programs . . . . .	—	5,479	6,060
Other . . . . .	50,394	5,614	533
Unreserved/Designated . . . . .	1,010,689	—	—
Unreserved/Undesignated (Deficits):			
General Fund . . . . .	281,261	—	—
Special Revenue Funds . . . . .	—	(1,997,862)	36,807
Capital Projects Funds . . . . .	—	—	—
<b>TOTAL FUND BALANCES</b> . . . . .	<b>1,909,683</b>	<b>177,707</b>	<b>64,818</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> . . .	<b>\$ 6,894,116</b>	<b>\$ 842,124</b>	<b>\$ 288,231</b>

The notes to the financial statements are an integral part of this statement.

<u>HIGHWAY OPERATING</u>	<u>REVENUE DISTRIBUTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
\$ 770,500	\$ 360,051	\$ 2,534,315	\$ 6,789,609
754	7,900	81,805	104,753
—	—	419,896	891,754
436,126	203,636	1,433,733	3,857,013
65,238	369,171	4,832	1,527,630
118,770	—	324,746	1,351,168
82,263	—	608,266	934,775
—	—	3,798	6,723
2,655	—	223,442	566,216
30,633	—	—	54,887
2,965	—	13,699	39,137
<b>\$ 1,509,904</b>	<b>\$ 940,758</b>	<b>\$ 5,648,532</b>	<b>\$ 16,123,665</b>
\$ 172,491	\$ —	\$ 210,133	\$ 625,602
23,095	—	43,255	203,499
—	—	115,989	996,080
436,126	203,636	1,433,733	3,857,013
316	595,371	210,730	1,474,164
114,656	395	131,155	970,813
252	—	29,291	47,617
5,255	35,155	291,226	818,509
4,889	7,943	46,329	185,385
—	70,389	2,458	867,600
—	—	—	10,249
<b>757,080</b>	<b>912,889</b>	<b>2,514,299</b>	<b>10,056,531</b>
—	—	34,109	34,109
1,607,196	—	1,512,820	5,608,588
76,905	—	595,971	913,283
—	—	101,443	101,443
30,633	—	—	54,887
—	127,121	—	127,121
3,271	—	37,998	52,808
8,088	—	32,057	96,686
—	—	—	1,010,689
—	—	—	281,261
(973,269)	(99,252)	985,426	(2,048,150)
—	—	(165,591)	(165,591)
<b>752,824</b>	<b>27,869</b>	<b>3,134,233</b>	<b>6,067,134</b>
<b>\$ 1,509,904</b>	<b>\$ 940,758</b>	<b>\$ 5,648,532</b>	<b>\$ 16,123,665</b>

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# STATE OF OHIO

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006 (dollars in thousands)

**Total Fund Balances for Governmental Funds.....** \$ **6,067,134**

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

<i>Land</i> .....	<i>1,736,463</i>
<i>Buildings and Improvements, net of \$1,388,541 accumulated depreciation</i> .....	<i>1,995,971</i>
<i>Land Improvements, net of \$153,331 accumulated depreciation</i> .....	<i>186,105</i>
<i>Machinery and Equipment, net of \$401,398 accumulated depreciation</i> .....	<i>191,668</i>
<i>Vehicles, net of \$118,893 accumulated depreciation</i> .....	<i>132,658</i>
<i>Infrastructure, net of \$3,278 accumulated depreciation</i> .....	<i>18,004,410</i>
<i>Construction-in-Progress</i> .....	<i>1,581,498</i>
	<b><u>23,828,773</u></b>

Some of the State's revenues are collected after year-end but are not available soon enough to pay for the current period's (within 60 days of year-end) expenditures, and therefore, are deferred in the funds.

<i>Taxes Receivable</i> .....	<i>334,805</i>
<i>Intergovernmental Receivable</i> .....	<i>250,009</i>
<i>Other Receivables</i> .....	<i>220,556</i>
<i>Other Assets</i> .....	<i>13,139</i>
	<b><u>818,509</u></b>

Unamortized bond issue costs are not financial resources, and therefore, are not reported in the funds.

**51,851**

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

<i>Accrued Liabilities:</i>	
<i>Interest Payable</i> .....	<i>(122,784)</i>
<i>Bonds and Notes Payable:</i>	
<i>General Obligation Bonds</i> .....	<i>(6,893,521)</i>
<i>Revenue Bonds</i> .....	<i>(720,675)</i>
<i>Special Obligation Bonds</i> .....	<i>(3,317,325)</i>
<i>Certificates of Participation</i> .....	<i>(90,389)</i>
<i>Other Noncurrent Liabilities:</i>	
<i>Compensated Absences</i> .....	<i>(420,673)</i>
<i>Capital Leases Payable</i> .....	<i>(3,366)</i>
<i>Estimated Claims Payable</i> .....	<i>(8,398)</i>
<i>Liability for Escheat Property</i> .....	<i>(245,551)</i>
	<b><u>(11,822,682)</u></b>

**Total Net Assets of Governmental Activities.....**

**\$ 18,943,585**

*The notes to the financial statements are an integral part of this statement.*

**STATE OF OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

**MAJOR FUNDS**

	<u>GENERAL</u>	<u>JOB, FAMILY AND OTHER HUMAN SERVICES</u>	<u>EDUCATION</u>
<b>REVENUES:</b>			
Income Taxes.....	\$ 8,889,463	\$ —	\$ —
Sales Taxes .....	7,302,441	—	—
Corporate and Public Utility Taxes .....	1,774,113	—	—
Motor Vehicle Fuel Taxes.....	—	—	—
Cigarette Taxes .....	1,084,142	—	—
Other Taxes .....	584,689	3,720	—
Licenses, Permits and Fees .....	209,054	516,615	1,236
Sales, Services and Charges .....	46,067	—	347
Federal Government.....	5,526,049	4,803,642	1,615,052
Tobacco Settlement .....	—	—	—
Escheat Property .....	145,695	—	—
Investment Income.....	305,425	18,475	4,076
Other.....	177,066	110,713	23,078
<b>TOTAL REVENUES</b> .....	<b>26,044,204</b>	<b>5,453,165</b>	<b>1,643,789</b>
<b>EXPENDITURES:</b>			
<i>CURRENT OPERATING:</i>			
Primary, Secondary and Other Education .....	8,235,782	5,876	2,217,629
Higher Education Support.....	2,183,324	3,161	31,630
Public Assistance and Medicaid.....	10,360,892	4,543,579	—
Health and Human Services.....	1,200,155	545,277	1,871
Justice and Public Protection .....	1,969,847	40,287	21,162
Environmental Protection and Natural Resources .....	96,969	—	—
Transportation.....	24,727	—	—
General Government .....	520,217	2,050	—
Community and Economic Development .....	623,300	60,199	—
<b>CAPITAL OUTLAY</b> .....	<b>204</b>	<b>1,888</b>	<b>—</b>
<b>DEBT SERVICE</b> .....	<b>536</b>	<b>—</b>	<b>—</b>
<b>TOTAL EXPENDITURES</b> .....	<b>25,215,953</b>	<b>5,202,317</b>	<b>2,272,292</b>
<i>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</i> .....			
	<b>828,251</b>	<b>250,848</b>	<b>(628,503)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	629,392	—	—
Refunding Bonds Issued.....	—	—	—
Payment to Refunded Bond Escrow Agents.....	—	—	—
Premiums .....	921	—	—
Capital Leases .....	4,959	—	—
Transfers-in .....	365,326	95,827	658,548
Transfers-out .....	(1,201,618)	(52,547)	(31,817)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(201,020)</b>	<b>43,280</b>	<b>626,731</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>627,231</b>	<b>294,128</b>	<b>(1,772)</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated)</b> .....	<b>1,276,815</b>	<b>(116,421)</b>	<b>66,590</b>
Increase for Changes in Inventories .....	5,637	—	—
<b>FUND BALANCES, JUNE 30</b> .....	<b>\$ 1,909,683</b>	<b>\$ 177,707</b>	<b>\$ 64,818</b>

The notes to the financial statements are an integral part of this statement.

<b>HIGHWAY OPERATING</b>	<b>REVENUE DISTRIBUTION</b>	<b>NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL</b>
\$ —	\$ 829,300	\$ 7,505	\$ 9,726,268
—	301,264	19,808	7,623,513
—	581,705	3,519	2,359,337
672,563	1,154,244	24,133	1,850,940
—	—	1	1,084,143
—	16,599	40,849	645,857
70,665	365,461	974,518	2,137,549
2,224	—	28,433	77,071
1,322,053	—	2,154,299	15,421,095
—	—	294,725	294,725
—	—	—	145,695
20,317	1,929	90,401	440,623
18,204	79	298,172	627,312
<b>2,106,026</b>	<b>3,250,581</b>	<b>3,936,363</b>	<b>42,434,128</b>
—	338,017	228,781	11,026,085
—	—	280,959	2,499,074
—	—	3,040	14,907,511
—	1,925	1,712,343	3,461,571
—	327,107	696,721	3,055,124
—	—	298,047	395,016
2,160,630	—	571	2,185,928
—	—	270,378	792,645
—	1,969,882	895,684	3,549,065
—	—	483,812	485,904
—	—	1,458,729	1,459,265
<b>2,160,630</b>	<b>2,636,931</b>	<b>6,329,065</b>	<b>43,817,188</b>
<b>(54,604)</b>	<b>613,650</b>	<b>(2,392,702)</b>	<b>(1,383,060)</b>
—	—	894,877	1,524,269
—	—	156,240	156,240
—	—	(172,770)	(172,770)
—	—	70,554	71,475
—	—	—	4,959
513,766	144,532	1,541,822	3,319,821
(294,405)	(844,876)	(75,922)	(2,501,185)
<b>219,361</b>	<b>(700,344)</b>	<b>2,414,801</b>	<b>2,402,809</b>
<b>164,757</b>	<b>(86,694)</b>	<b>22,099</b>	<b>1,019,749</b>
581,068	114,563	3,112,134	5,034,749
6,999	—	—	12,636
<b>\$ 752,824</b>	<b>\$ 27,869</b>	<b>\$ 3,134,233</b>	<b>\$ 6,067,134</b>

# STATE OF OHIO

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2006 (dollars in thousands)

<b>Net Change in Fund Balances -- Total Governmental Funds.....</b>	<b>\$ 1,019,749</b>
<i>Change in Inventories.....</i>	<i>12,636</i>
	<b><u>1,032,385</u></b>

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

<i>Capital Outlay Expenditures.....</i>	<i>762,809</i>
<i>Depreciation Expense.....</i>	<i>(236,632)</i>
<i>Excess of Capital Outlay Over Depreciation Expense.....</i>	<b><u>526,177</u></b>

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, proceeds were received from:

<i>General Obligation Bonds.....</i>	<i>(1,250,000)</i>
<i>Revenue Bonds.....</i>	<i>(199,270)</i>
<i>Special Obligation Bonds.....</i>	<i>(74,999)</i>
<i>Refunding Bonds, including Bond Premium/Discount, Net.....</i>	<i>(173,664)</i>
<i>Premiums and Discounts, Net:</i>	
<i>General Obligation Bonds.....</i>	<i>(45,876)</i>
<i>Revenue Bonds.....</i>	<i>(5,702)</i>
<i>Special Obligation Bonds.....</i>	<i>(2,473)</i>
<i>Deferred Refunding Loss.....</i>	<i>8,413</i>
<i>Capital Leases.....</i>	<i>(4,959)</i>
<i>Total Debt Proceeds.....</i>	<b><u>(1,748,530)</u></b>

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current year, these amounts consist of:

<i>Debt Principal Retirement and Defeasements:</i>	
<i>General Obligation Bonds.....</i>	<i>565,105</i>
<i>Revenue Bonds.....</i>	<i>71,790</i>
<i>Special Obligation Bonds.....</i>	<i>488,743</i>
<i>Certificates of Participation.....</i>	<i>1,005</i>
<i>Capital Lease Payments.....</i>	<i>4,064</i>
<i>Total Long-Term Debt Repayment.....</i>	<b><u>1,130,707</u></b>

Revenues in the Statement of Activities that do not provide current financial resources are deferred in the governmental funds. Deferred revenues decreased by this amount this year.

**(40,509)**

*The notes to the financial statements are an integral part of this statement.*

Some expenses reported in the Statement of Activities are not reported as expenditures in the governmental funds. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the changes in the following balances:

<i>Increase in Bond Issue Costs Included in Other Assets.....</i>	4,078
<i>Increase in Accrued Interest and Other Accrued Liabilities.....</i>	(9,655)
<i>Amortization of Bond Premiums/Accretion of Bond Discount, Net.....</i>	43,674
<i>Amortization of Deferred Refunding Loss.....</i>	(25,487)
<i>Increase in Compensated Absences.....</i>	(23,056)
<i>Decrease in Refund and Other Liabilities.....</i>	3,140
<i>Increase in Estimated Claims Payable.....</i>	(1,775)
<i>Increase in Liability for Escheat Property.....</i>	(51,913)
 <i>Total additional expenditures.....</i>	 (60,994)
 <b><i>Change in Net Assets of Governmental Activities.....</i></b>	 <b>\$ 839,236</b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006 (dollars in thousands)

	GENERAL			
				VARIANCE WITH FINAL
	BUDGET		ACTUAL	BUDGET POSITIVE/ (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
<b>REVENUES:</b>				
Income Taxes .....	\$ 8,673,900	\$ 8,673,900	\$ 8,786,388	\$ 112,488
Sales Taxes .....	7,480,900	7,480,900	7,368,244	(112,656)
Corporate and Public Utility Taxes .....	1,558,400	1,558,400	1,741,463	183,063
Motor Vehicle Fuel Taxes .....	—	—	—	—
Cigarette Taxes.....	1,013,200	1,013,200	1,084,142	70,942
Other Taxes .....	597,382	597,382	585,482	(11,900)
Licenses, Permits and Fees .....	179,173	179,173	183,877	4,704
Sales, Services and Charges .....	51,136	51,136	51,934	798
Federal Government .....	5,799,284	5,799,284	5,670,074	(129,210)
Investment Income .....	68,558	68,558	110,839	42,281
Other .....	1,706,115	1,706,115	1,709,145	3,030
<b>TOTAL REVENUES.....</b>	<b>27,128,048</b>	<b>27,128,048</b>	<b>27,291,588</b>	<b>163,540</b>
<b>BUDGETARY EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Primary, Secondary and Other Education .....	7,714,620	7,748,542	7,672,196	76,346
Higher Education Support .....	2,157,722	2,187,321	2,183,525	3,796
Public Assistance and Medicaid .....	11,697,135	11,704,083	11,316,661	387,422
Health and Human Services .....	1,391,429	1,393,058	1,372,595	20,463
Justice and Public Protection .....	2,119,499	2,142,246	2,103,956	38,290
Environmental Protection and Natural Resources .....	132,011	135,067	129,912	5,155
Transportation .....	40,613	40,672	40,406	266
General Government .....	729,848	763,195	662,717	100,478
Community and Economic Development .....	690,020	716,841	702,088	14,753
<b>CAPITAL OUTLAY .....</b>	<b>353</b>	<b>353</b>	<b>318</b>	<b>35</b>
<b>DEBT SERVICE.....</b>	<b>1,139,408</b>	<b>1,119,213</b>	<b>1,062,943</b>	<b>56,270</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>27,812,658</b>	<b>27,950,591</b>	<b>27,247,317</b>	<b>703,274</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>	<b>(684,610)</b>	<b>(822,543)</b>	<b>44,271</b>	<b>866,814</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-in .....	369,734	369,734	425,645	55,911
Transfers-out .....	(246,745)	(246,745)	(273,411)	(26,666)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>122,989</b>	<b>122,989</b>	<b>152,234</b>	<b>29,245</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>\$ (561,621)</b>	<b>\$ (699,554)</b>	<b>196,505</b>	<b>\$ 896,059</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>				
Outstanding Encumbrances at Beginning of Fiscal Year			1,229,692	
			643,476	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>				
			<b>\$ 2,069,673</b>	

The notes to the financial statements are an integral part of this statement.

JOB, FAMILY AND OTHER HUMAN SERVICES				EDUCATION			
BUDGET		VARIANCE WITH FINAL		BUDGET		VARIANCE WITH FINAL	
ORIGINAL	FINAL	ACTUAL	BUDGET POSITIVE/ (NEGATIVE)	ORIGINAL	FINAL	ACTUAL	BUDGET POSITIVE/ (NEGATIVE)
\$	\$	\$	\$	\$	\$	\$	\$
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
3,720	—	—	—	—	—	—	—
491,135	—	—	—	1,236	—	—	—
3,466,430	—	—	—	1,655,491	—	—	—
18,146	—	—	—	3,384	—	—	—
174,892	—	—	—	31,588	—	—	—
<b>4,154,323</b>				<b>1,692,046</b>			
\$ 178,850	\$ 84,470	13,432	\$ 71,038	\$ 2,435,562	\$ 2,444,980	2,312,029	\$ 132,951
8,784	8,784	4,840	3,944	22,019	41,266	29,299	11,967
6,380,367	6,622,139	5,960,052	662,087	—	—	—	—
654,967	660,216	601,563	58,653	1,942	3,442	2,217	1,225
58,098	64,605	37,050	27,555	29,255	31,158	25,161	5,997
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1,258	2,484	1,521	963	—	—	—	—
—	75,000	60,199	14,801	—	—	—	—
22,866	25,564	3,441	22,123	—	—	—	—
—	—	—	—	—	—	—	—
<b>\$ 7,305,190</b>	<b>\$ 7,543,262</b>	<b>6,682,098</b>	<b>\$ 861,164</b>	<b>\$ 2,488,778</b>	<b>\$ 2,520,846</b>	<b>2,368,706</b>	<b>\$ 152,140</b>
<b>(2,527,775)</b>				<b>(676,660)</b>			
62,300	—	—	—	655,496	—	—	—
(44,134)	—	—	—	(8,583)	—	—	—
<b>18,166</b>				<b>646,913</b>			
<b>(2,509,609)</b>				<b>(29,747)</b>			
(2,173,412)	—	—	—	51,146	—	—	—
2,384,746	—	—	—	30,090	—	—	—
<b>\$ (2,298,275)</b>				<b>\$ 51,489</b>			

(continued)

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(dollars in thousands)

(continued)

### **REVENUES:**

Income Taxes .....	\$ —
Sales Taxes .....	—
Corporate and Public Utility Taxes .....	—
Motor Vehicle Fuel Taxes .....	667,566
Cigarette Taxes.....	—
Other Taxes .....	—
Licenses, Permits and Fees .....	70,675
Sales, Services and Charges .....	2,224
Federal Government .....	1,310,915
Investment Income .....	19,973
Other .....	77,591

**TOTAL REVENUES.....**

\$ —  
—  
—  
667,566  
—  
—  
—  
70,675  
2,224  
1,310,915  
19,973  
77,591  
**2,148,944**

### **BUDGETARY EXPENDITURES:**

#### **CURRENT OPERATING:**

Primary, Secondary and Other Education .....	\$ —
Higher Education Support .....	—
Public Assistance and Medicaid .....	—
Health and Human Services .....	—
Justice and Public Protection .....	—
Environmental Protection and Natural Resources .....	—
Transportation .....	4,041,007
General Government .....	—
Community and Economic Development .....	—

Primary, Secondary and Other Education .....	\$ —	\$ —	—	\$ —
Higher Education Support .....	—	—	—	—
Public Assistance and Medicaid .....	—	—	—	—
Health and Human Services .....	—	—	—	—
Justice and Public Protection .....	—	—	—	—
Environmental Protection and Natural Resources .....	—	—	—	—
Transportation .....	4,041,007	4,945,802	3,991,653	954,149
General Government .....	—	—	—	—
Community and Economic Development .....	—	—	—	—

**CAPITAL OUTLAY .....**

**DEBT SERVICE.....**

**TOTAL BUDGETARY EXPENDITURES.....**

\$ 96,757      89,947      86,337      3,610

**\$ 4,137,764      \$ 5,035,749      4,077,990      \$ 957,759**

### **EXCESS (DEFICIENCY) OF REVENUES**

#### **OVER (UNDER) BUDGETARY EXPENDITURES.....**

**(1,929,046)**

### **OTHER FINANCING SOURCES (USES):**

Transfers-in .....	596,931
Transfers-out .....	(290,528)

**306,403**

**TOTAL OTHER FINANCING SOURCES (USES).....**

### **NET CHANGE IN FUND BALANCES.....**

**(1,622,643)**

### **BUDGETARY FUND BALANCES**

#### **(DEFICITS), JULY 1.....**

**(1,095,790)**

#### **Outstanding Encumbrances at Beginning of Fiscal Year**

**1,696,712**

### **BUDGETARY FUND BALANCES**

#### **(DEFICITS), JUNE 30 .....**

**\$ (1,021,721)**

The notes to the financial statements are an integral part of this statement.

**REVENUE DISTRIBUTION**

<b>BUDGET</b>		<b>VARIANCE WITH FINAL</b>	
<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>BUDGET POSITIVE/ (NEGATIVE)</b>
\$ 829,300			
301,264			
447,721			
1,155,853			
—			
16,599			
532,304			
—			
—			
1,929			
80			
<b><u>3,285,050</u></b>			

\$ 165,998	\$ 193,328	193,121	\$ 207
—	—	—	—
—	—	—	—
1,865	1,865	1,545	320
530,000	530,305	516,775	13,530
—	—	—	—
—	—	—	—
—	—	—	—
1,899,359	2,048,415	1,896,135	152,280
—	—	—	—
—	—	—	—
<b><u>\$ 2,597,222</u></b>	<b><u>\$ 2,773,913</u></b>	<b><u>2,607,576</u></b>	<b><u>\$ 166,337</u></b>

**677,474**

144,532
<u>(820,921)</u>
<b><u>(676,389)</u></b>

**1,085**

350,840

—

**\$ 351,925**

# STATE OF OHIO

## STATEMENT OF NET ASSETS

### PROPRIETARY FUNDS – ENTERPRISE

JUNE 30, 2006

(dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 11,113	\$ 51,752	\$ —
Cash and Cash Equivalents.....	182,493	11,641	1,338
Collateral on Lent Securities.....	6,285	29,270	—
Restricted Assets:			
Cash Equity with Treasurer.....	—	800	—
Investments.....	—	91,334	—
Collateral on Lent Securities.....	—	351,854	—
Other Receivables.....	—	13,843	—
Deposit with Federal Government.....	—	—	625,375
Intergovernmental Receivable.....	—	—	3,351
Premiums and Assessments Receivable.....	873,835	—	25,053
Interfund Receivable.....	77,015	—	—
Other Receivables.....	153,631	40,054	8,927
Inventories.....	—	—	—
Other Assets.....	3,163	6,809	7,320
<b>TOTAL CURRENT ASSETS.....</b>	<b>1,307,535</b>	<b>597,357</b>	<b>671,364</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash and Cash Equivalents.....	1,540	—	—
Investments.....	—	674,223	—
Investments.....	16,029,479	—	—
Premiums and Assessments Receivable.....	1,215,678	—	33,963
Interfund Receivable.....	887,677	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	110,948	2,866	—
Capital Assets Not Being Depreciated.....	11,994	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>18,257,316</b>	<b>677,089</b>	<b>33,963</b>
<b>TOTAL ASSETS.....</b>	<b>19,564,851</b>	<b>1,274,446</b>	<b>705,327</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	8,808	11,890	—
Accrued Liabilities.....	—	—	—
Obligations Under Securities Lending.....	6,285	381,124	—
Intergovernmental Payable.....	—	—	928
Deferred Prize Awards Payable.....	—	94,484	—
Interfund Payable.....	—	497	—
Unearned Revenue.....	39,396	943	—
Benefits Payable.....	1,886,938	—	16,067
Refund and Other Liabilities.....	529,478	20,164	12,666
Bonds and Notes Payable.....	14,150	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>2,485,055</b>	<b>509,102</b>	<b>29,661</b>
<b>NONCURRENT LIABILITIES:</b>			
Deferred Prize Awards Payable.....	—	629,047	—
Interfund Payable.....	—	3,832	—
Unearned Revenue.....	360,598	—	—
Benefits Payable.....	15,363,740	—	—
Refund and Other Liabilities.....	1,368,177	2,826	—
Bonds and Notes Payable.....	113,902	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>17,206,417</b>	<b>635,705</b>	<b>—</b>
<b>TOTAL LIABILITIES.....</b>	<b>19,691,472</b>	<b>1,144,807</b>	<b>29,661</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	(3,965)	2,866	—
Restricted for Deferred Lottery Prizes.....	—	56,669	—
Unrestricted (Deficits).....	(122,656)	70,104	675,666
<b>TOTAL NET ASSETS (DEFICITS).....</b>	<b>\$ (126,621)</b>	<b>\$ 129,639</b>	<b>\$ 675,666</b>

The notes to the financial statements are an integral part of this statement.

<i><b>NONMAJOR PROPRIETARY FUNDS</b></i>		<i><b>TOTAL</b></i>
\$	26,517	\$ 89,382
11,640		207,112
9,143		44,698
—		800
109,540		200,874
—		351,854
—		13,843
—		625,375
8,966		12,317
—		898,888
1,911		78,926
10,463		213,075
36,414		36,414
1,255		18,547
<b>215,849</b>		<b>2,792,105</b>
—		1,540
702,259		1,376,482
75,668		16,105,147
—		1,249,641
7,374		895,051
3,244		3,244
7		7
10,697		124,511
778		12,772
<b>800,027</b>		<b>19,768,395</b>
<b>1,015,876</b>		<b>22,560,500</b>
27,219		47,917
4,761		4,761
9,143		396,552
434		1,362
—		94,484
3,110		3,607
11		40,350
81,200		1,984,205
3,966		566,274
4,653		18,803
<b>134,497</b>		<b>3,158,315</b>
—		629,047
2,448		6,280
—		360,598
1,014,700		16,378,440
16,907		1,387,910
2,510		116,412
<b>1,036,565</b>		<b>18,878,687</b>
<b>1,171,062</b>		<b>22,037,002</b>
11,462		10,363
—		56,669
(166,648)		456,466
<b>\$ (155,186)</b>		<b>\$ 523,498</b>

# STATE OF OHIO

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2006 (dollars in thousands)

	MAJOR PROPRIETARY FUNDS		
	WORKERS' COMPENSATION	LOTTERY COMMISSION	UNEMPLOYMENT COMPENSATION
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services.....	\$ —	\$ 2,220,927	\$ 13,593
Premium and Assessment Income.....	2,103,289	—	1,116,290
Federal Government.....	—	—	21,327
Investment Income.....	—	—	25,060
Other.....	15,282	6,459	12,251
<b>TOTAL OPERATING REVENUES.....</b>	<b>2,118,571</b>	<b>2,227,386</b>	<b>1,188,521</b>
<b>OPERATING EXPENSES:</b>			
Costs of Sales and Services.....	—	—	—
Administration.....	44,586	94,601	—
Bonuses and Commissions.....	—	139,841	—
Prizes.....	—	1,311,142	—
Benefits and Claims.....	1,933,813	—	1,161,444
Depreciation.....	8,758	14,596	—
Other.....	24,323	30	332
<b>TOTAL OPERATING EXPENSES.....</b>	<b>2,011,480</b>	<b>1,560,210</b>	<b>1,161,776</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>107,091</b>	<b>667,176</b>	<b>26,745</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income.....	763,812	22,258	290
Interest Expense.....	—	(20,615)	—
Federal Grants.....	—	—	—
Other.....	—	(44,484)	932
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>763,812</b>	<b>(42,841)</b>	<b>1,222</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>870,903</b>	<b>624,335</b>	<b>27,967</b>
<b>TRANSFERS:</b>			
Transfers-in.....	44	—	9,144
Transfers-out.....	(7,724)	(646,748)	(25,366)
<b>TOTAL TRANSFERS.....</b>	<b>(7,680)</b>	<b>(646,748)</b>	<b>(16,222)</b>
<b>NET INCOME (LOSS).....</b>	<b>863,223</b>	<b>(22,413)</b>	<b>11,745</b>
<b>NET ASSETS (DEFICITS), JULY 1 (as restated).....</b>	<b>(989,844)</b>	<b>152,052</b>	<b>663,921</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ (126,621)</b>	<b>\$ 129,639</b>	<b>\$ 675,666</b>

The notes to the financial statements are an integral part of this statement.

<i><b>NONMAJOR PROPRIETARY FUNDS</b></i>		<i><b>TOTAL</b></i>
\$ 683,943	\$ 2,918,463	
—	3,219,579	
—	21,327	
69,629	94,689	
4,517	38,509	
<b>758,089</b>	<b>6,292,567</b>	
447,399	447,399	
80,447	219,634	
—	139,841	
—	1,311,142	
56,847	3,152,104	
2,841	26,195	
2,497	27,182	
<b>590,031</b>	<b>5,323,497</b>	
<b>168,058</b>	<b>969,070</b>	
1,783	788,143	
(673)	(21,288)	
107	107	
(350)	(43,902)	
<b>867</b>	<b>723,060</b>	
<b>168,925</b>	<b>1,692,130</b>	
53,223	62,411	
(201,209)	(881,047)	
<b>(147,986)</b>	<b>(818,636)</b>	
<b>20,939</b>	<b>873,494</b>	
(176,125)	(349,996)	
<b>\$ (155,186)</b>	<b>\$ 523,498</b>	

**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

	<b>MAJOR PROPRIETARY FUNDS</b>		
	<b>WORKERS' COMPENSATION</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ —	\$ 2,215,064	\$ —
Cash Received from Premiums and Assessments.....	2,256,238	—	1,097,338
Cash Received from Multi-State Lottery for Grand Prize Winner.....	—	390,064	—
Cash Received from Interfund Services Provided.....	58,869	1,396	—
Other Operating Cash Receipts.....	27,230	5,063	13,182
Cash Payments to Suppliers for Goods and Services.....	(68,444)	(65,386)	(332)
Cash Payments to Employees for Services.....	(242,185)	(23,655)	—
Cash Payments for Benefits and Claims.....	(2,105,501)	—	(1,034,214)
Cash Payments for Lottery Prizes.....	—	(1,892,649)	—
Cash Payments for Bonuses and Commissions.....	—	(139,649)	—
Cash Payments for Premium Reductions and Refunds.....	(85,127)	—	—
Cash Payments for Interfund Services Used.....	(12,703)	(2,941)	—
Other Operating Cash Payments.....	—	(30)	(43,466)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>(171,623)</b>	<b>487,277</b>	<b>32,508</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-in .....	44	—	9,144
Transfers-out .....	(7,724)	(646,748)	(25,365)
Federal Grants.....	—	—	—
<b>NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(7,680)</b>	<b>(646,748)</b>	<b>(16,221)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Payments on Bonds and Capital Leases.....	(13,190)	(15,596)	—
Interest Paid .....	(6,472)	(511)	—
Acquisition and Construction of Capital Assets .....	(3,739)	(1,318)	—
Principal Receipts on Capital Leases Receivable.....	—	—	—
Proceeds from Sales of Capital Assets .....	108	190	—
<b>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(23,293)</b>	<b>(17,235)</b>	<b>—</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments.....	(64,014,458)	(2,565,065)	(1,084,751)
Proceeds from the Sales and Maturities of Investments .....	62,399,345	2,656,653	1,052,101
Investment Income Received .....	813,246	46,042	288
Borrower Rebates and Agent Fees.....	(84,707)	(20,211)	—
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....</b>	<b>(886,574)</b>	<b>117,419</b>	<b>(32,362)</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS.....</b>	<b>(1,089,170)</b>	<b>(59,287)</b>	<b>(16,075)</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1 (as restated).....</b>	<b>1,284,316</b>	<b>123,480</b>	<b>17,413</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30 .....</b>	<b>\$ 195,146</b>	<b>\$ 64,193</b>	<b>\$ 1,338</b>

The notes to the financial statements are an integral part of this statement.

<b>NONMAJOR PROPRIETARY FUNDS</b>		<b>TOTAL</b>
\$ 666,902	\$ 2,881,966	
—	3,353,576	
—	390,064	
11,437	71,702	
11,444	56,919	
(443,833)	(577,995)	
(89,609)	(355,449)	
—	(3,139,715)	
—	(1,892,649)	
—	(139,649)	
—	(85,127)	
(2,053)	(17,697)	
(69,151)	(112,647)	
<b>85,137</b>	<b>433,299</b>	
55,785	64,973	
(201,209)	(881,046)	
<b>104</b>	<b>104</b>	
<b>(145,320)</b>	<b>(815,969)</b>	
(2,233)	(31,019)	
(339)	(7,322)	
(4,835)	(9,892)	
2,047	2,047	
<b>107</b>	<b>405</b>	
<b>(5,253)</b>	<b>(45,781)</b>	
(1,740,444)	(69,404,718)	
1,779,682	67,887,781	
31,897	891,473	
—	(104,918)	
<b>71,135</b>	<b>(730,382)</b>	
<b>5,699</b>	<b>(1,158,833)</b>	
<b>32,458</b>	<b>1,457,667</b>	
<b>\$ 38,157</b>	<b>\$ 298,834</b>	

*(continued)*

**STATE OF OHIO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS – ENTERPRISE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)  
(continued)

	<b>MAJOR PROPRIETARY FUNDS</b>		
	<b>WORKERS' COMPENSATION</b>	<b>LOTTERY COMMISSION</b>	<b>UNEMPLOYMENT COMPENSATION</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating Income (Loss).....	\$ 107,091	\$ 667,176	\$ 26,745
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Investment Income.....	—	—	(25,060)
Depreciation .....	8,758	14,596	—
Provision for Uncollectible Accounts.....	70,038	—	—
Amortization of Premiums and Discounts.....	(960)	—	—
Interest on Bonds, Notes and Capital Leases.....	6,472	—	—
Decrease (Increase) in Assets:			
Deposit with Federal Government.....	—	—	57,140
Intergovernmental Receivable.....	—	—	(36)
Premiums and Assessments Receivable.....	133,257	—	(36,185)
Interfund Receivable.....	(83,313)	—	—
Other Receivables .....	(49,327)	(5,097)	865
Inventories .....	—	—	—
Other Assets .....	(1,021)	(14,683)	(118)
Increase (Decrease) in Liabilities:			
Accounts Payable .....	(1,880)	3,505	—
Accrued Liabilities.....	—	—	—
Intergovernmental Payable.....	—	—	882
Deferred Prize Awards Payable.....	—	(164,264)	—
Interfund Payable.....	—	855	—
Unearned Revenue .....	10,662	(767)	—
Benefits Payable.....	(248,464)	—	4,165
Refund and Other Liabilities.....	(122,936)	(14,044)	4,110
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>\$ (171,623)</b>	<b>\$ 487,277</b>	<b>\$ 32,508</b>

**NONCASH INVESTING,  
CAPITAL AND FINANCING ACTIVITIES:**

Change in Fair Value of Investments.....	\$ 104,946	\$ 31,784	\$ —
Contributions of Capital Assets from Other Funds.....	—	—	—
Capital Assets Acquired under Capital Leases.....	—	—	—

The notes to the financial statements are an integral part of this statement.

<i>NONMAJOR PROPRIETARY FUNDS</i>	<i>TOTAL</i>
\$ 168,058	\$ 969,070
(69,629)	(94,689)
2,841	26,195
—	70,038
1,098	138
—	6,472
—	57,140
116	80
—	97,072
10	(83,303)
6	(53,553)
(1,343)	(1,343)
(338)	(16,160)
(3,585)	(1,960)
215	215
20	902
—	(164,264)
(31)	824
1	9,896
(10,900)	(255,199)
(1,402)	(134,272)
<b><u>\$ 85,137</u></b>	<b><u>\$ 433,299</u></b>

\$ (3,251)	\$ 133,479
86	86
12	12

# STATE OF OHIO

## STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS JUNE 30, 2006 (dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
	STATE HIGHWAY PATROL RETIREMENT SYSTEM (as of 12/31/05)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO
<b>ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	8,573	15,657	—
Investments (at fair value):			
U.S. Government and Agency Obligations.....	35,198	—	2,540,582
Common and Preferred Stock.....	304,132	—	—
Corporate Bonds and Notes.....	17,770	—	—
Foreign Stocks and Bonds.....	115,105	—	—
Commercial Paper.....	—	—	830,871
Repurchase Agreements.....	—	—	2,408
Mutual Funds.....	179,181	4,394,729	—
Real Estate.....	37,247	—	—
Venture Capital.....	—	—	—
Direct Mortgage Loans.....	13,628	—	—
Investment Contracts.....	—	—	—
State Treasury Asset Reserve of Ohio (STAR Ohio).....	—	—	—
Collateral on Lent Securities.....	186,625	—	—
Employer Contributions Receivable.....	1,266	—	—
Employee Contributions Receivable.....	1,122	—	—
Other Receivables.....	1,165	7,982	880
Other Assets.....	—	—	—
Capital Assets, Net.....	31	—	—
<b>TOTAL ASSETS.....</b>	<b>901,043</b>	<b>4,418,368</b>	<b>3,374,741</b>
<b>LIABILITIES:</b>			
Accounts Payable.....	1,235	—	—
Accrued Liabilities.....	1,417	5,857	—
Obligations Under Securities Lending.....	186,625	—	—
Intergovernmental Payable.....	—	—	—
Refund and Other Liabilities.....	47	4,452	735
<b>TOTAL LIABILITIES.....</b>	<b>189,324</b>	<b>10,309</b>	<b>735</b>
<b>NET ASSETS:</b>			
Held in Trust for:			
Employees' Pension Benefits.....	612,497	—	—
Employees' Postemployment Healthcare Benefits.....	99,222	—	—
Individuals, Organizations and Other Governments.....	—	4,408,059	—
Pool Participants.....	—	—	3,374,006
<b>TOTAL NET ASSETS.....</b>	<b>\$ 711,719</b>	<b>\$ 4,408,059</b>	<b>\$ 3,374,006</b>

The notes to the financial statements are an integral part of this statement.

AGENCY

\$ 241,155  
110,041

10,520,492  
65,730,034  
11,915,607  
33,753,554  
1,915,908  
456,053  
1,381,156  
13,553,388  
3,161,428  
14,773,140  
10,746  
33,796  
136,392

—  
—  
11,961  
424,722  
—

**158,129,573**

—  
—  
136,392  
105,621  
**157,887,560**

**158,129,573**

—  
—  
—  
—  
\$ —

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# STATE OF OHIO

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(dollars in thousands)

	PENSION TRUST	PRIVATE- PURPOSE TRUST	INVESTMENT TRUST
STATE HIGHWAY PATROL RETIREMENT SYSTEM (for the fiscal year ended 12/31/05)	VARIABLE COLLEGE SAVINGS PLAN	STAR OHIO	
<b>ADDITIONS:</b>			
Contributions from:			
Employer.....	\$ 21,474	\$ —	\$ —
Employees.....	8,582	—	—
Plan Participants.....	—	892,468	—
Other.....	1,181	—	—
<b>Total Contributions.....</b>	<b>31,237</b>	<b>892,468</b>	<b>—</b>
Investment Income:			
Net Appreciation (Depreciation) in Fair Value of Investments.....	38,315	156,220	—
Interest, Dividends and Other.....	18,165	157,326	141,775
<b>Total Investment Income.....</b>	<b>56,480</b>	<b>313,546</b>	<b>141,775</b>
Less: Investment Expense.....	9,591	31,509	3,456
<b>Net Investment Income.....</b>	<b>46,889</b>	<b>282,037</b>	<b>138,319</b>
Capital Share and Individual Account Transactions:			
Shares Sold.....	—	—	12,569,018
Reinvested Distributions.....	—	—	138,319
Shares Redeemed.....	—	—	(12,479,365)
<b>Net Capital Share and Individual Account Transactions.....</b>	<b>—</b>	<b>—</b>	<b>227,972</b>
<b>TOTAL ADDITIONS.....</b>	<b>78,126</b>	<b>1,174,505</b>	<b>366,291</b>
<b>DEDUCTIONS:</b>			
Pension Benefits Paid to Participants or Beneficiaries.....	37,716	—	—
Healthcare Benefits Paid to Participants or Beneficiaries....	8,932	—	—
Refunds of Employee Contributions.....	496	—	—
Administrative Expense.....	654	—	—
Transfers to Other Retirement Systems.....	404	—	—
Distributions to Shareholders and Plan Participants.....	—	490,978	138,319
<b>TOTAL DEDUCTIONS.....</b>	<b>48,202</b>	<b>490,978</b>	<b>138,319</b>
<b>CHANGE IN NET ASSETS HELD FOR:</b>			
Employees' Pension Benefits.....	26,944	—	—
Employees' Postemployment Healthcare Benefits.....	2,980	—	—
Individuals, Organizations and Other Governments.....	—	683,527	—
Pool Participants.....	—	—	227,972
<b>TOTAL CHANGE IN NET ASSETS.....</b>	<b>29,924</b>	<b>683,527</b>	<b>227,972</b>
<b>NET ASSETS, JULY 1 (restated).....</b>	<b>681,795</b>	<b>3,724,532</b>	<b>3,146,034</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 711,719</b>	<b>\$ 4,408,059</b>	<b>\$ 3,374,006</b>

The notes to the financial statements are an integral part of this statement.

# STATE OF OHIO

## COMBINING STATEMENT OF NET ASSETS DISCRETELY PRESENTED COMPONENT UNITS JUNE 30, 2006 (dollars in thousands)

	MAJOR COMPONENT UNITS		
	SCHOOL FACILITIES COMMISSION	OHIO WATER DEVELOPMENT AUTHORITY (as of 12/31/05)	OHIO STATE UNIVERSITY
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 561,843	\$ —	\$ —
Cash and Cash Equivalents.....	—	25,365	192,174
Investments.....	—	75,895	581,544
Collateral on Lent Securities.....	317,763	—	—
Intergovernmental Receivable.....	757	396	2,726
Loans Receivable, Net.....	1,393	1,218	8,429
Receivable from Primary Government.....	—	—	11,412
Other Receivables.....	—	323	374,461
Inventories.....	—	—	21,842
Other Assets.....	30	—	34,550
<b>TOTAL CURRENT ASSETS.....</b>	<b>881,786</b>	<b>103,197</b>	<b>1,227,138</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	390,398	25,992
Investments.....	—	1,311,502	—
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	288	—
Loans Receivable, Net.....	—	3,231,764	—
Investments.....	—	11,713	2,010,771
Loans Receivable, Net.....	6,576	21,843	61,444
Other Receivables.....	—	4,691	14,218
Other Assets.....	—	42,331	—
Capital Assets Being Depreciated, Net.....	35	1,525	2,209,748
Capital Assets Not Being Depreciated.....	—	539	485,900
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>6,611</b>	<b>5,016,594</b>	<b>4,808,073</b>
<b>TOTAL ASSETS.....</b>	<b>888,397</b>	<b>5,119,791</b>	<b>6,035,211</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	10,753	64,182	129,408
Accrued Liabilities.....	259	10,235	265,724
Obligations Under Securities Lending.....	317,763	—	—
Intergovernmental Payable.....	990,280	24	—
Unearned Revenue.....	—	—	136,904
Refund and Other Liabilities.....	386	—	43,414
Bonds and Notes Payable.....	—	141,798	485,599
Certificates of Participation.....	—	—	360
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>1,319,441</b>	<b>216,239</b>	<b>1,061,409</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	1,155,733	—	—
Unearned Revenue.....	—	—	2,000
Refund and Other Liabilities.....	583	168	204,428
Bonds and Notes Payable.....	—	2,481,619	599,696
Certificates of Participation.....	—	—	5,465
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>1,156,316</b>	<b>2,481,787</b>	<b>811,589</b>
<b>TOTAL LIABILITIES.....</b>	<b>2,475,757</b>	<b>2,698,026</b>	<b>1,872,998</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	35	2,063	1,589,420
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Community and Economic Development and Capital Purposes....	—	—	—
Debt Service.....	—	2,274,289	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	1,189,475
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	8,695
Endowments and Quasi-Endowments.....	—	—	148,182
Current Operations.....	—	—	287,914
Loans, Grants and Other College and University Purposes.....	—	—	41,304
Unrestricted (Deficits).....	(1,587,395)	145,413	897,223
<b>TOTAL NET ASSETS (DEFICITS).....</b>	<b>\$ (1,587,360)</b>	<b>\$ 2,421,765</b>	<b>\$ 4,162,213</b>

The notes to the financial statements are an integral part of this statement.

<b>UNIVERSITY OF CINCINNATI</b>	<b>NONMAJOR COMPONENT UNITS</b>	<b>TOTAL</b>
\$ —	\$ 20,456	\$ 582,299
69,606	412,852	699,997
10,969	903,698	1,572,106
—	5,483	323,246
—	39,506	43,385
2,994	28,887	42,921
1,517	34,653	47,582
81,175	273,687	729,646
1,481	28,733	52,056
23,505	55,647	113,732
<b>191,247</b>	<b>1,803,602</b>	<b>4,206,970</b>
—	13,847	13,847
—	62,874	479,264
—	741,052	2,052,554
—	7,832	7,832
—	—	288
—	—	3,231,764
1,130,425	1,090,294	4,243,203
30,345	95,874	216,082
39,299	117,752	175,960
332,343	34,542	409,216
1,253,427	3,532,256	6,996,991
167,574	772,393	1,426,406
<b>2,953,413</b>	<b>6,468,716</b>	<b>19,253,407</b>
<b>3,144,660</b>	<b>8,272,318</b>	<b>23,460,377</b>
77,588	145,932	427,863
56,209	180,273	512,700
—	13,315	331,078
—	378	990,682
23,977	196,525	357,406
42,158	93,881	179,839
109,608	75,627	812,632
90	275	725
<b>309,630</b>	<b>706,206</b>	<b>3,612,925</b>
—	9,115	1,164,848
—	5,213	7,213
188,631	194,797	588,607
732,923	1,482,007	5,296,245
90	21,585	27,140
<b>921,644</b>	<b>1,712,717</b>	<b>7,084,053</b>
<b>1,231,274</b>	<b>2,418,923</b>	<b>10,696,978</b>
517,514	2,986,156	5,095,188
—	19	19
—	7,352	7,352
—	13,847	13,847
—	—	2,274,289
132,721	101,867	234,588
81,457	4,631	86,088
599,595	549,393	2,338,463
324,639	86,692	411,331
38,113	123,763	161,876
111,327	16,850	128,177
33,472	113,577	147,049
29,634	10,665	40,299
32,968	105,676	138,644
4	7,702	7,706
34,638	64,069	107,402
131,557	66,145	345,884
9,715	111,472	409,101
16,759	198,117	256,180
(180,727)	1,285,402	559,916
<b>\$ 1,913,386</b>	<b>\$ 5,853,395</b>	<b>\$ 12,763,399</b>

# STATE OF OHIO

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

	<b>MAJOR COMPONENT UNITS</b>		
	<b>SCHOOL FACILITIES COMMISSION</b>	<b>OHIO WATER DEVELOPMENT AUTHORITY (for the year ended 12/31/05)</b>	<b>OHIO STATE UNIVERSITY</b>
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ 555,648	\$ —	\$ —
Community and Economic Development.....	—	—	—
Cost of Services.....	—	106,701	—
Administration.....	—	9,757	—
<i>Education and General:</i>			
Instruction and Departmental Research.....	—	—	647,940
Separately Budgeted Research.....	—	—	368,920
Public Service.....	—	—	117,250
Academic Support.....	—	—	120,969
Student Services.....	—	—	73,060
Institutional Support.....	—	—	125,620
Operation and Maintenance of Plant.....	—	—	94,774
Scholarships and Fellowships.....	—	—	60,577
Auxiliary Enterprises.....	—	—	189,283
Hospitals.....	—	—	1,322,879
Interest on Long-Term Debt.....	—	—	42,313
Depreciation.....	—	192	191,991
Other.....	—	5,987	5,669
<b>TOTAL EXPENSES.....</b>	<b>555,648</b>	<b>122,637</b>	<b>3,361,245</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	2,765	133,014	2,266,045
Operating Grants, Contributions and Restricted Investment Income.....	19,850	136,944	595,846
Capital Grants, Contributions and Restricted Investment Income.....	—	—	18,548
<b>TOTAL PROGRAM REVENUES.....</b>	<b>22,615</b>	<b>269,958</b>	<b>2,880,439</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(533,033)</b>	<b>147,321</b>	<b>(480,806)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	—	3,276	220,313
State Assistance.....	911,425	—	593,694
Other.....	—	396	2,508
<b>TOTAL GENERAL REVENUES.....</b>	<b>911,425</b>	<b>3,672</b>	<b>816,515</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>			
	—	—	47,423
<b>CHANGE IN NET ASSETS.....</b>	<b>378,392</b>	<b>150,993</b>	<b>383,132</b>
<b>NET ASSETS, JULY 1 (as restated).....</b>	<b>(1,965,752)</b>	<b>2,270,772</b>	<b>3,779,081</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ (1,587,360)</b>	<b>\$ 2,421,765</b>	<b>\$ 4,162,213</b>

The notes to the financial statements are an integral part of this statement.

<i>UNIVERSITY OF CINCINNATI</i>	<i>NONMAJOR COMPONENT UNITS</i>	<i>TOTAL</i>
\$ —	\$ 34,874	\$ 590,522
—	23,679	23,679
—	—	106,701
—	—	9,757
281,857	1,357,451	2,287,248
144,764	172,321	686,005
55,566	126,011	298,827
67,501	382,503	570,973
38,041	204,747	315,848
90,724	382,674	599,018
88,322	269,949	453,045
17,892	157,789	236,258
80,397	553,110	822,790
—	196,372	1,519,251
31,005	56,768	130,086
79,366	227,636	499,185
9,583	30,622	51,861
<b>985,018</b>	<b>4,176,506</b>	<b>9,201,054</b>
366,466	2,549,765	5,318,055
403,975	500,757	1,657,372
7,587	48,047	74,182
<b>778,028</b>	<b>3,098,569</b>	<b>7,049,609</b>
<b>(206,990)</b>	<b>(1,077,937)</b>	<b>(2,151,445)</b>
—	152,875	376,464
210,065	1,229,914	2,945,098
3,795	37,862	44,561
<b>213,860</b>	<b>1,420,651</b>	<b>3,366,123</b>
<b>13,414</b>	<b>22,277</b>	<b>83,114</b>
<b>20,284</b>	<b>364,991</b>	<b>1,297,792</b>
<b>1,893,102</b>	<b>5,488,404</b>	<b>11,465,607</b>
<b>\$ 1,913,386</b>	<b>\$ 5,853,395</b>	<b>\$ 12,763,399</b>



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Ohio, as of June 30, 2006, and for the year then ended, conform with generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are included in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The State's significant accounting policies are as follows.

#### A. Financial Reporting Entity

The State of Ohio's primary government includes all funds, elected officials, departments and agencies, bureaus, boards, commissions, and authorities that make up the State's legal entity. Component units, legally separate organizations for which the State's elected officials are financially accountable, also comprise, in part, the State's reporting entity. Additionally, other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete should be included in a government's financial reporting entity.

GASB Statement No. 14 (GASB 14), *The Financial Reporting Entity*, defines financial accountability. The criteria for determining financial accountability include the following circumstances:

- appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or
- an organization is fiscally dependent on the primary government.

#### 1. Blended Component Units

The Ohio Building Authority and the State Highway Patrol Retirement System are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government using the blending method.

#### 2. Discretely Presented Component Units

The component units' columns in the basic financial statements include the financial data of another 28 organizations. The separate discrete column la-

beled, "Component Units," emphasizes these organizations' separateness from the State's primary government. Officials of the primary government appoint a voting majority of each organization's governing board.

The primary government has the ability to impose its will on the following organizations by modifying or approving their respective budgets.

School Facilities Commission  
Cultural Facilities Commission  
eTech Ohio Commission  
Ohio Air Quality Development Authority

The following organizations impose or potentially impose financial burdens on the primary government.

Ohio Water Development Authority  
Ohio State University  
University of Cincinnati  
Ohio University  
Miami University  
University of Akron  
Bowling Green State University  
Kent State University  
University of Toledo  
Cleveland State University  
Youngstown State University  
Wright State University  
Shawnee State University  
Central State University  
Medical University of Ohio  
Terra State Community College  
Columbus State Community College  
Clark State Community College  
Edison State Community College  
Southern State Community College  
Washington State Community College  
Cincinnati State Community College  
Northwest State Community College  
Owens State Community College

The School Facilities Commission, Cultural Facilities Commission, and eTech Ohio Commission, which are governmental component units that use special revenue fund reporting, do not issue separately audited financial reports.

Information on how to obtain financial statements for the State's component units that do issue their own separately audited financial reports is available from the Ohio Office of Budget and Management.



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 3. Joint Ventures and Related Organizations

As discussed in more detail in NOTE 18, the State participates in several joint ventures and has related organizations. The State does not include the financial activities of these organizations in its financial statements, in conformity with GASB 14.

#### B. Basis of Presentation

*Government-wide Statements* — The Statement of Net Assets and the Statement of Activities display information about the primary government (the State) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Fiduciary funds of the primary government and component units that are fiduciary in nature are reported only in the statements of fiduciary net assets and changes in fiduciary net assets.

For the government-wide financial statements, eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the State. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole, or in part, by fees charged to external parties for goods or services.

The Statement of Net Assets reports all financial and capital resources using the economic resources measurement focus and the accrual basis of accounting. The State presents the statement in a format that displays *assets less liabilities equal net assets*. *Net assets* section is displayed in three components:

- The *Invested in Capital Assets, Net of Related Debt* component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The portion of debt attributable to significant unspent related debt proceeds at year-end is not included in the calculation of this net assets component.
- The *Restricted Net Assets* component represents net assets with constraints placed on their use that are either 1.) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2.) imposed by law through constitutional provisions or enabling legislation. For component units with permanent endowments, restricted net assets are displayed in two additional components — expendable and

nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity.

- The *Unrestricted Net Assets* component consists of net assets that do not meet the definition of the preceding two components.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the State's governmental activities and for the different business-type activities of the State. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Centralized expenses have been included in direct expenses. Indirect expenses have not been allocated to the programs or functions reported in the Statement of Activities.

Generally, the State does not incur expenses for which it has the option of first applying restricted or unrestricted resources for their payment.

Program revenues include licenses, permits and other fees, fines, forfeitures, charges paid by the recipients of goods or services offered by the programs, and grants, contributions, and investment earnings that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all tax, tobacco settlement, escheat property revenues, unrestricted investment income, and state assistance, are presented as general revenues.

*Fund Financial Statements* — The fund financial statements provide information about the State's funds, including the fiduciary funds and blended component units. Separate statements for each fund category — governmental, proprietary, and fiduciary — are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds.

Governmental fund types include the General, special revenue, debt service, and capital projects funds. The proprietary funds consist of enterprise funds. Fiduciary fund types include pension trust, private-purpose trust, investment trust, and agency funds.

Operating revenues for the State's proprietary funds mainly consist of charges for sales and services and



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

premium and assessment income since these revenues result from exchange transactions associated with the principal activity of the respective enterprise fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Investment income and revenue from the federal government for extended unemployment benefits are also reported as operating revenues for the Unemployment Compensation Fund, since these sources provide significant funding for the payment of unemployment benefits – the fund's principal activity. Investment income for the Tuition Trust Authority Fund is also reported as operating revenue, since this source provides significant funding for the payment of tuition benefits. Nonoperating revenues for the proprietary funds result from nonexchange transactions or ancillary activities; nonoperating revenues are primarily comprised of investment income and federal operating grants.

Proprietary fund operating expenses principally consist of expenses for the cost of sales and services, administration, premium dividend reductions and refunds, bonuses and commissions, prizes, benefits and claims, and depreciation. Nonoperating expenses principally consist of interest expense on debt and the amortization of discount on deferred lottery prize liabilities, which is reported under "Other" nonoperating expenses.

The State reports the following major governmental funds:

**General** — The General Fund, the State's primary operating fund, accounts for resources of the general government, except those required to be accounted for in another fund.

**Job, Family and Other Human Services Special Revenue Fund** — This fund accounts for public assistance programs primarily administered by the Department of Job and Family Services, which provides financial assistance, services, and job training to those individuals and families who do not have sufficient resources to meet their basic needs.

**Education Special Revenue Fund** — This fund accounts for programs administered by the Department of Education, the Ohio Board of Regents, and other various state agencies, which prescribe the State's minimum educational requirements and which provide funding and assistance to local school districts for basic instruction and vocation and technical job training, and to the State's colleges and universities for post-secondary education.

**Highway Operating Special Revenue Fund** — This fund accounts for programs administered by the Department of Transportation, which is responsible for the planning and design, construction, and maintenance of Ohio's highways, roads, and bridges and for Ohio's public transportation programs.

**Revenue Distribution Special Revenue Fund** — This fund accounts for tax relief and aid to local government programs, which derive funding from tax and other revenues levied, collected, and designated by the State for these purposes.

The State reports the following major proprietary funds:

**Workers' Compensation Enterprise Fund** — This fund accounts for the operations of the Ohio Bureau of Workers' Compensation and the Ohio Industrial Commission, which provide workers' compensation insurance services.

**Lottery Commission Enterprise Fund** — This fund accounts for the State's lottery operations.

**Unemployment Compensation Enterprise Fund** — This fund, which is administered by the Ohio Department of Job and Family Services, accounts for unemployment compensation benefit claims.

The State reports the following fiduciary fund types:

**Pension Trust Fund** — The State Highway Patrol Retirement System Pension Trust Fund accounts for resources that are required to be held in trust for members and beneficiaries of the defined benefit plan. The financial statements for the State Highway Patrol Retirement System Pension Trust Fund are presented for the fiscal year ended December 31, 2005.

**Private-Purpose Trust Fund** — The Private-Purpose Trust Fund accounts for trust arrangements under which principal and income benefit participants in the Variable College Savings Plan, which is administered by the Tuition Trust Authority.

**Investment Trust Fund** — The STAR Ohio Investment Trust Fund accounts for the state-sponsored external investment pool, which the Treasurer of State administers for local government participants.

**Agency Funds** — These funds account for the receipt, temporary investment, and remittance of fiduciary resources held on behalf of individuals, private organizations, and other governments.



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The State reports the following major component unit funds:

The *School Facilities Commission* accounts for grants that provide assistance to local school districts for the construction of school buildings.

The *Ohio Water Development Authority, Ohio State University, and University of Cincinnati* funds are business-type activities that use proprietary fund reporting. The financial statements for the Ohio Water Development Authority, which provides financial assistance to local governments for the construction of wastewater and sewage facilities, are presented for the fiscal year ended December 31, 2005. The Ohio State University Fund accounts for the university's operations, including its health system, supercomputer center, agricultural research and development center, and other legally separate entities subject to the control of the university's board. The University of Cincinnati Fund accounts for the university's operations, including its related foundation.

**C. Measurement Focus and Basis of Accounting**  
*Government-wide, Enterprise Fund, and Fiduciary Fund Financial Statements* — The State reports the government-wide financial statements and the proprietary fund and fiduciary fund financial statements using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The State recognizes revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions when the exchange takes place. When resources are received in advance of the exchange, the State reports the unearned revenue as a liability.

Nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include derived taxes, grants, and entitlements. The revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Under the accrual basis, the State recognizes assets from derived tax revenues (e.g., personal income, sales, and motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes de-

rived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred.

Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue.

Investment income includes the net increase (decrease) in the fair value of investments.

As permitted by GAAP, all governmental and business-type activities and enterprise funds have elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

*Governmental Fund Financial Statements* — The State reports governmental funds using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers revenues reported in the governmental funds to be available when the revenues are collectible within 60 days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

Significant revenue sources susceptible to accrual under the modified accrual basis of accounting include:

- Personal income taxes
- Sales and use taxes
- Motor vehicle fuel taxes
- Charges for goods and services
- Federal government grants
- Tobacco settlement
- Investment income

The State recognizes assets from derived tax revenues (e.g., personal income, sales, motor vehicle fuel taxes) in the fiscal year when the exchange transaction on which the tax is imposed occurs or when the resources are received, whichever occurs first. The State recognizes derived tax revenues, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred and the revenues are collected during the availability period.

For revenue arising from exchange transactions (i.e., charges for goods and services), the State defers



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

revenue recognition when resources earned from the exchange are not received during the availability period and reports unearned revenue when resources are received in advance of the exchange.

The governmental funds recognize federal government revenue in the period when all applicable eligibility requirements have been met and resources are available. Resources transmitted in advance of the State meeting eligibility requirements are reported as unearned revenue. The State defers revenue recognition for reimbursement-type grant programs if the reimbursement is not received during the availability period.

Investment income includes the net increase (decrease) in the fair value of investments.

Licenses, permits, fees, and certain other miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. The "Other" revenue account is comprised of refunds, reimbursements, recoveries, and other miscellaneous income.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, capital lease obligations, compensated absences, and claims and judgments. The governmental funds recognize expenditures for these liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds from general long-term debt issuances, including refunding bond proceeds, premiums, and acquisitions under capital leases are reported as other financing sources while discounts and payments to refunded bond escrow agents are reported as other financing uses.

#### D. Budgetary Process

As the Ohio Revised Code requires, the Governor submits biennial operating and capital budgets to the General Assembly.

The General Assembly approves operating appropriations in annual amounts and capital appropriations in two-year amounts.

The General Assembly enacts the budget through passage of specific departmental line-item appropriations, the legal level of budgetary control. Line-item appropriations are established within funds by program or major object of expenditure. The Gover-

nor may veto any item in an appropriation bill. Such vetoes are subject to legislative override.

The State's Controlling Board can transfer or increase a line-item appropriation within the limitations set under Sections 127.14 and 131.35, Ohio Revised Code.

All governmental funds are budgeted except the following activities within the debt service and capital projects fund types:

Improvements General Obligations  
Highway Improvements General Obligations  
Development General Obligations  
Public Improvements General Obligations  
Vietnam Conflict Compensation  
General Obligations  
Economic Development Revenue Bonds  
Infrastructure Bank Revenue Bonds  
Revitalization Project Revenue Bonds  
Chapter 154 Special Obligations  
School Building Program Special Obligations  
Ohio Building Authority Special Obligations  
Transportation Certificates of Participation  
OAKS Certificates of Participation  
OAKS Project

For budgeted funds, the State's Central Accounting System controls expenditures by appropriation line-item, so at no time can expenditures exceed appropriations and financial-related legal compliance is assured. The State uses the modified cash basis of accounting for budgetary purposes.

The *Detailed Appropriation Summary by Fund Report* is available for public inspection at the Ohio Office of Budget and Management and on its web site at [www.obm.ohio.gov/finrep](http://www.obm.ohio.gov/finrep). This Summary provides a more comprehensive accounting of activity on the budgetary basis at the legal level of budgetary control.

In the *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, the State reports estimated revenues and other financing sources and uses for the General Fund only; the State does not estimate revenue and other financing sources and uses for the major special revenue funds or its budgeted nonmajor governmental funds.

Additionally, in the non-GAAP budgetary basis financial statement, "actual" budgetary expenditures include cash disbursements and outstanding encumbrances, as of June 30.



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The State Highway Patrol Retirement System Pension Trust Fund, the Variable College Savings Plan Private-Purpose Trust Fund, and the STAR Ohio Investment Trust Fund are not legally required to adopt budgets. For budgeted proprietary funds, the State is not legally required to report budgetary data and comparisons for these funds. Also, the State does not present budgetary data for its discretely presented component units.

Because the State budgets on a modified cash basis of accounting, which differs from GAAP, NOTE 3 presents a reconciliation of the differences between the GAAP basis and non-GAAP budgetary basis of reporting.

#### **E. Cash Equity with Treasurer and Cash and Cash Equivalents**

Cash equity with Treasurer consists of pooled demand deposits and investments carried at fair value. The State's cash pool under the Treasurer of State's administration has the general characteristics of a demand deposit account whereby additional cash can be deposited at any time and can also be effectively withdrawn at any time, within certain budgetary limitations, without prior notice or penalty.

Cash and cash equivalents include amounts on deposit with financial institutions and cash on hand. The cash and cash equivalents account also includes investments with original maturities of three months or less from the date of acquisition for the Bureau of Workers' Compensation Enterprise Fund.

Cash equity with Treasurer and cash and cash equivalents, including the portions reported under "Restricted Assets," are considered to be cash equivalents, as defined in GASB Statement No. 9, for purposes of the Statement of Cash Flows.

Additional disclosures on the State's deposits can be found in NOTE 4.

#### **F. Investments**

Investments include long-term investments that may be restricted by law or other legal instruments. With the exception of certain money market investments, which have remaining maturities at the time of purchase of one year or less and are carried at amortized cost, and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool, the State reports investments at fair value based on quoted market prices. STAR Ohio operates in a manner consistent with Rule 2a7 of the Investment Company Act of 1940; investments in the 2a7-like pool are reported at amortized cost (which approximates fair value).

The colleges and universities report investments received as gifts at their fair value on the donation date.

The primary government does not manage or provide investment services for investments reported in the Agency Fund that are owned by other, legally separate entities that are not part of the State of Ohio's reporting entity.

Additional disclosures on the State's investments can be found in NOTE 4.

#### **G. Taxes Receivable**

Taxes receivable represent amounts due to the State at June 30, which will be collected sometime in the future. In the government-wide financial statements, revenue has been recognized for the receivable. In the fund financial statements only the portion of the receivable collected during the 60-day availability period has been recognized as revenue while the remainder is recorded as deferred revenue. Additional disclosures on taxes receivable can be found in NOTE 5A.

#### **H. Intergovernmental Receivable**

The intergovernmental receivable balance is primarily comprised of amounts due from the federal government for reimbursement-type grant programs. Advances of resources to recipient local governments before eligibility requirements have been met under government-mandated and voluntary nonexchange programs and amounts due for exchanges of State goods and services with other governments are also reported as intergovernmental receivables. Additional details on the intergovernmental receivable balance can be found in NOTE 5B.

#### **I. Inventories**

Inventories are valued at cost. Principal inventory cost methods applied include first-in/first-out, average cost, moving-average, and retail.

In the governmental fund financial statements, the State recognizes the costs of material inventories as expenditures when purchased. Inventories do not reflect current appropriable resources in the governmental fund financial statements, and therefore, the State reserves an equivalent portion of fund balance.

#### **J. Restricted Assets**

The primary government reports assets restricted for the payment of deferred lottery prize awards, revenue bonds, and tuition benefits in the enterprise funds.



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Generally, the component unit funds hold assets in trust under bond covenants or other financing arrangements that legally restrict the use of these assets.

#### K. Capital Assets

##### *Primary Government*

The State reports capital assets purchased with governmental fund resources in the government-wide financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. The State does not report capital assets purchased with governmental fund resources in the fund financial statements. Governmental capital assets are reported net of accumulated depreciation, except for land, construction-in-progress, transportation infrastructure assets, and individual works of art and historical treasures, including historical land improvements and buildings. Transportation infrastructure assets are reported using the "modified approach," as discussed below, and therefore are not depreciable. Individual works of art and historical treasures, including historical land improvements and buildings, are considered to be inexhaustible, and therefore, are not depreciable.

The State reports capital assets purchased with enterprise fund resources and fiduciary fund resources in the government-wide and the fund financial statements at historical cost, or at estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair value on the donation date. Capital assets, except for land and construction-in-progress, are reported net of accumulated depreciation.

The State has elected to capitalize its transportation infrastructure assets, defined as bridges, general highways, and priority highways, using the modified approach. Under this approach, the infrastructure assets are not depreciated because the State has committed itself to maintaining the assets at a condition level that the Ohio Department of Transportation (ODOT) has determined to be adequate to meet the needs of the citizenry. Costs of maintaining the bridge and highway infrastructure are not capitalized. New construction that represents additional lane-miles of highway or additional square-footage of bridge deck area and improvements that add to the capacity or efficiency of an asset are capitalized.

ODOT maintains an inventory of its transportation infrastructure capital assets, and conducts annual condition assessments to establish that the condition level that the State has committed itself to maintain-

ing is, in fact, being achieved. ODOT also estimates the amount that must be spent annually to maintain the assets at the desired condition level.

For its other types of capital assets, the State does not capitalize the costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life. Costs of major improvements are capitalized. Interest costs associated with the acquisition of capital assets purchased using governmental fund resources are not capitalized, while those associated with acquisitions purchased using enterprise and fiduciary fund resources are capitalized.

The State does not capitalize collections of works of art or historical treasures that can be found at the Governor's residence, Malabar Farm (i.e., Louis Bromfield estate), which the Ohio Department of Natural Resources operates, the Ohio Arts Council, the State Library of Ohio, and the Capitol Square Review and Advisory Board for the following reasons:

- the collection is held for public exhibition, education, or research in furtherance of public service rather than for financial gain.
- the collection is protected, kept unencumbered, cared for, and preserved.
- the collection is subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

The State has established the following capitalization thresholds:

Buildings .....	\$ 15,000
Building Improvements .....	100,000
Land, including easements .....	All, regardless of cost
Land Improvements .....	15,000
Machinery and Equipment .....	15,000
Vehicles .....	15,000
Infrastructure:	
Highway Network .....	500,000
Bridge Network.....	500,000
Park and Natural Resources Network.....	All, regardless of cost

For depreciable capital assets, the State applies the straight-line method over the following estimated useful lives:

Buildings .....	20-45 years
Land Improvements .....	10-25 years
Machinery and Equipment .....	2-15 years
Vehicles .....	5-15 years
Park and Natural Resources Infrastructure Network.....	10-50 years



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NOTE 8 contains additional disclosures about the primary government's capital assets.

#### *Discretely Presented Component Unit Funds*

The discretely presented component unit funds value all capital assets at cost and donated fixed assets at estimated fair value on the donation date. Capital assets are depreciated using the straight-line method. Additional disclosures about the discretely presented component unit funds' capital assets can be found in NOTE 8.

#### **L. Medicaid Claims Payable**

The Medicaid claims liability, which has an average maturity of one year or less, includes an estimate for incurred, but not reported claims.

#### **M. Noncurrent Liabilities**

*Government-wide Financial Statements* — Liabilities whose average maturities are greater than one year are reported in two components — the amount due in one year and the amount due in more than one year. Additional disclosures as to the specific liabilities included in noncurrent liabilities can be found in NOTES 10 through 15.

*Fund Financial Statements* — Governmental funds recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

The proprietary funds and component unit funds report noncurrent liabilities expected to be financed from their operations.

#### **N. Compensated Absences**

Employees of the State's primary government earn vacation leave, sick leave, and personal leave at various rates within limits specified under collective bargaining agreements or under law. Generally, employees accrue vacation leave at a rate of 3.1 hours every two weeks for the first five years of employment, up to a maximum rate of 9.2 hours every two weeks after 25 years of employment. Employees may accrue a maximum of three years vacation leave credit. At termination or retirement, the State pays employees, at their full rate, 100 percent of unused vacation leave, personal leave, and, in certain cases, compensatory time and 50 to 55 percent of unused sick leave.

Such leave is liquidated in cash, under certain restrictions, either annually in December, or at the time of termination from employment.

For the governmental funds, the State reports the compensated absences liability as a fund liability

(included in the "Accrued Liabilities" account as a component of wages payable) to the extent it will be liquidated with expendable, available financial resources. For the primary government's proprietary funds and its discretely presented component unit funds, the State reports the compensated absences liability as a fund liability included in the "Refund and Other Liabilities" account.

The State's primary government accrues vacation, compensatory time, and personal leaves as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as at termination or retirement.

Sick leave time that has been earned, but is unavailable for use as paid time off or as some other form of compensation because an employee has not met a minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

The State's primary government accrues sick leave using the vesting method. Under this method, the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments, as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

Included in the compensated absences liability is an amount accrued for salary-related payments directly and incrementally associated with the payment of compensated absences upon termination. Such payments include the primary government's share of Medicare taxes.

For the colleges and universities, vacation and sick leave policies vary by institution.

#### **O. Fund Balance**

Fund balance reported in the governmental fund financial statements is classified as follows:

##### *Reserved*

Reservations represent balances that are not appro priate or are legally restricted for a specific purpose. Additional details on "Reserved for Other" balances are disclosed in NOTE 17.

##### *Unreserved/Designated*

Designations represent balances available for tentative management plans that are subject to change.



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Unreserved/Undesignated*

Unreserved/undesignated fund balances are available for appropriation for the general purpose of the fund.

#### **P. Risk Management**

The State's primary government is self-insured for claims under its traditional healthcare plans and for vehicle liability while it has placed public official fidelity bonding with a private insurer. The State self-funds tort liability and most property losses on a pay-as-you-go basis; however, selected state agencies have acquired private insurance for their property losses. While not the predominant participants, the State's primary government and its discretely presented component units participate in a public entity risk pool, which is accounted for in the Workers' Compensation Enterprise Fund, for the financing of their respective workers' compensation liabilities. These liabilities are reported in the governmental funds under the "Interfund Payable" account. (See NOTE 7).

#### **Q. Interfund Balances and Activities**

Interfund transactions and balances have been eliminated from the government-wide financial statements to the extent that they occur within either the governmental or business-type activities. Balances between governmental and business-type activities are presented as internal balances and are eliminated in the total column. Revenues and expenses associated with reciprocal transactions within governmental or within business-type activities have not been eliminated.

In the fund financial statements, interfund activity within and among the three fund categories (governmental, proprietary, and fiduciary) is classified and reported as follows:

*Reciprocal interfund activity* is the internal counterpart to exchange and exchange-like transactions. This activity includes:

*Interfund Loans* — Amounts provided with a requirement for repayment, which are reported as interfund receivables in lender funds and interfund payables in borrower funds. When interfund loan repayments are not expected within a reasonable time, the interfund balances are reduced and the amount that is not expected to be repaid is reported as a transfer from the fund that made the loan to the fund that received the loan.

*Interfund Services Provided and Used* — Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and as expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

*Nonreciprocal interfund activity* is the internal counterpart to nonexchange transactions. This activity includes:

*Interfund Transfers* — Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

*Interfund Reimbursements* — Repayments from funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not displayed in the financial statements.

Details on interfund balances and transfers are disclosed in NOTE 7.

#### **R. Intra-Entity Balances and Activities**

Balances due between the primary government and its discretely presented component units are reported as receivables from component units or primary government and payables to component units or primary government. For each major component unit, the nature and amount of significant transactions with the primary government are disclosed in NOTE 7.

Resource flows between the primary government and its discretely presented component units are reported like external transactions (i.e., revenues and expenses).

#### **S. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS**

**A. Restatements**

Restatements of net assets/fund balances, as of June 30, 2005, for the primary government and component units that resulted from prior period adjustments for corrections of errors and from changes in the reporting entity are presented in the following tables (dollars in thousands).

**Government-wide Financial Statements:**

	Govern- mental Activities	Business- Type Activities	Total Primary Government	Component Units
Net Assets, as of June 30, 2005, As Previously Reported .....	\$18,469,461	\$1,360,149	\$19,829,610	\$11,465,788
<i>Corrections that Increased/(Decreased) Net Assets:</i>				
Cash Equity with Treasurer .....	(3,365)	—	(3,365)	—
Cash and Cash Equivalents .....	—	—	—	(849)
Investments .....	—	—	—	689
Premiums and Assessments Receivable .....	—	672,453	672,453	—
Other Receivables-Accounts .....	—	—	—	21
Other Receivables-Interest .....	—	(259)	(259)	—
Restricted Investments .....	—	1,806	1,806	—
Capital Assets Being Depreciated, Net .....	7,557	—	7,557	—
Capital Assets Not Being Depreciated .....	(176,818)	—	(176,818)	—
Accounts Payable .....	—	—	—	(21)
Internal Balances .....	(91,949)	91,949	—	—
Benefits Payable .....	—	(2,383,128)	(2,383,128)	—
Refund and Other Liabilities .....	—	(92,820)	(92,820)	—
Accrued Liabilities (Interest Payable) .....	—	—	—	(21)
Total Corrections, Net .....	(264,575)	(1,709,999)	(1,974,574)	(181)
<i>Change in Reporting Entity:</i>				
<i>Reclassification of Assets from Business-Type Activities to Governmental Activities:</i>				
Investments .....	105	(105)	—	—
Other Assets-Prepaid Expense .....	41	(41)	—	—
Total Reclassifications, Net .....	146	(146)	—	—
Net Assets-OHIO Housing Finance Agency .....	(100,683)	—	(100,683)	—
Net Assets, July 1, 2005, As Restated.....	\$18,104,349	\$(349,996)	\$17,754,353	\$11,465,607

**Governmental Fund Financial Statements:**

	General Fund	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Nonmajor Governmental Funds	Total
Fund Balances (Deficits), as of June 30, 2005, As Previously Reported.....	\$1,345,772	\$(114,508)	\$66,837	\$592,160	\$114,563	\$3,225,776	\$5,230,600
<i>Corrections that Increased/ (Decreased) Fund Balance:</i>							
Cash Equity with Treasurer....	(3,365)	—	—	—	—	—	(3,365)
Interfund Payable .....	(65,592)	(1,913)	(247)	(11,092)	—	(13,105)	(91,949)
Total Corrections, Net.....	(68,957)	(1,913)	(247)	(11,092)	—	(13,105)	(95,314)
<i>Change in Reporting Entity:</i>							
<i>Reclassification of Assets from Nonmajor Proprietary Funds to Nonmajor Governmental Funds:</i>							
Investments.....	—	—	—	—	—	105	105
Other Assets- Prepaid Expense.....	—	—	—	—	—	41	41
Total Reclassifications, Net.....	—	—	—	—	—	146	146
Ohio Housing Finance Agency .....	—	—	—	—	—	(100,683)	(100,683)
Fund Balances (Deficits), July 1, 2005, As Restated .....	\$1,276,815	\$(116,421)	\$66,590	\$581,068	\$114,563	\$3,112,134	\$5,034,749



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS**  
*(Continued)*

**Proprietary Fund Financial Statements:**

	Workers' Compensation	Other Major Proprietary Funds	Nonmajor Proprietary Funds	Total
Net Assets (Deficits), as of June 30, 2005, As Previously Reported .....	<u>\$721,702</u>	<u>\$815,973</u>	<u>\$(177,526)</u>	<u>\$1,360,149</u>
<i>Corrections that Increased/(Decreased) Net Assets:</i>				
Premiums and Assessments Receivable .....	672,453	—	—	672,453
Interfund Receivable .....	91,949	—	—	91,949
Other Receivables-Interest .....	—	—	(259)	(259)
Restricted Investments .....	—	—	1,806	1,806
Benefits Payable .....	(2,383,128)	—	—	(2,383,128)
Refund and Other Liabilities .....	(92,820)	—	—	(92,820)
Total Corrections, Net .....	<u>(1,711,546)</u>	<u>—</u>	<u>1,547</u>	<u>(1,709,999)</u>
<i>Change in Reporting Entity:</i>				
<i>Reclassification of Assets from</i>				
<i>Nonmajor Proprietary Funds to Nonmajor Governmental Funds:</i>				
Investments .....	—	—	(105)	(105)
Other Assets-Prepaid Expense .....	—	—	(41)	(41)
Total Reclassifications, Net .....	<u>—</u>	<u>—</u>	<u>(146)</u>	<u>(146)</u>
Net Assets (Deficits), July 1, 2005, As Restated .....	<u>\$(989,844)</u>	<u>\$815,973</u>	<u>\$(176,125)</u>	<u>\$(349,996)</u>

**Fiduciary Fund Financial Statements:**

		Pension Trust	Investment Trust
Net Assets, as of June 30, 2005, As Previously Reported		<u>\$684,569</u>	<u>\$3,087,817</u>
<i>Corrections that Increased/(Decreased) Net Assets:</i>			
Cash and Cash Equivalents .....	—	(1,361)	—
Other Receivables-Interest .....	—	(1,413)	—
Total Corrections, Net .....	<u>—</u>	<u>(2,774)</u>	<u>—</u>
<i>Change in Reporting Entity:</i>			
Ohio Housing Finance Agency .....	—	58,217	
Net Assets, 07/01/05, As Restated .....	<u>\$681,795</u>	<u>\$3,146,034</u>	

**Discretely Presented Component Units Fund Financial Statements:**

	Major Component Units	Nonmajor Component Units	Total
Net Assets, as of 6/30/05, As Previously Reported .....	<u>\$5,977,203</u>	<u>\$5,488,585</u>	<u>\$11,465,788</u>
<i>Corrections that Increased/(Decreased) Net Assets:</i>			
Cash and Cash Equivalents .....	—	(849)	(849)
Investments .....	—	689	689
Other Receivables-Accounts .....	—	21	21
Accounts Payable .....	—	(21)	(21)
Accrued Liabilities (Interest Payable) .....	—	(21)	(21)
Total Corrections, Net .....	<u>—</u>	<u>(181)</u>	<u>(181)</u>
Net Assets, 07/01/05, As Restated .....	<u>\$5,977,203</u>	<u>\$5,488,404</u>	<u>11,465,607</u>



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS (Continued)

Effective July 1, 2005, the Ohio Housing Finance Agency became legally separate from the primary government. As a result of its change in legal status, the Agency is considered to be a related organization of the primary government and is excluded from the Net Assets/Fund Balances at July 1, 2005. In addition, its investment previously accounted for as part of the internal portion of the STAR Ohio investment pool has been reclassified and is accounted for in the STAR Ohio Investment Trust Fund. The Investment Trust Fund accounts for the external portion of the STAR Ohio investment pool and includes accounts belonging to organizations outside of the primary government's reporting entity.

#### B. Implementation of Recently Issued Accounting Pronouncements

For the fiscal year ended June 30, 2006, the State implemented the provisions of

- Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*,
- GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation* — an amendment of GASB Statement No. 34, and
- GASB Statement No. 47, *Accounting for Termination Benefits* (only those provisions applicable to termination benefits unrelated to defined benefit postemployment benefits, excluding pensions, were implemented).

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

GASB 46 clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government — such as citizens, public interest groups, or the judiciary — can compel a government to honor.

GASB 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner. However, for termination benefits that affect defined benefit postemployment benefits other than pensions, governments should implement

GASB 47 simultaneously with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

#### C. Recently Issued GASB Pronouncements

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans and supersedes guidance included in GASB 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*.

The standards in this Statement apply for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties that administer them. The requirements of this Statement are effective one year prior to the effective date of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the employer (single-employer plan) or for the largest participating employer in the plan (multiple-employer plan). The effective dates by which governments are to implement the provisions of GASB 45 are discussed below.

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition, and disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. This Statement is effective for periods beginning after December 15, 2006, for *phase 1 governments* (those with total annual revenues of \$100 million or more in the first fiscal year ending after June 15, 1999); after December 15, 2007, for *phase 2 governments* (those with total annual revenues of \$10 million or more but less than \$100 million in the first fiscal year ending after June 15, 1999); and after December 15, 2008, for *phase 3 governments* (those with total annual revenues of less than \$10 million in the first fiscal year ending after June 15, 1999).

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes the criteria for reporting transactions as revenue or as a



**NOTE 2 RESTATEMENTS AND CHANGES IN ACCOUNTING PRINCIPLES AND STANDARDS**  
**(Continued)**

liability, whereby an interest in the government's expected cash flows from collecting specific receivables or specific revenues are exchanged for immediate cash payments, generally a single lump sum. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of GASB 48 are effective for financial statements for periods beginning after December 15, 2006.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution*

*Remediation Obligations.* The requirements of GASB 49 are effective for financial statements for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

Management has not yet determined the impact that the new GASB pronouncements will have on the State's financial statements.

**NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS**

In the accompanying *Statement of Revenues, Expenditures and Changes in Fund Balances — Budget and Actual (Non-GAAP Budgetary Basis) — General Fund and Major Special Revenue Funds*, actual revenues, transfers-in, expenditures, encumbrances, and transfers-out reported on the non-GAAP budgetary basis do not equal those reported on the GAAP basis in the *Statement of Revenues, Expenditures and Changes in Fund Balances — Major Governmental Funds*.

This inequality results primarily from basis differences in the recognition of accruals, deferred revenue, interfund transactions, and loan transactions, and from timing differences in the budgetary basis of accounting for encumbrances. On the non-GAAP budgetary basis, the State recognizes encumbrances as expenditures in the year encumbered, while on the modified accrual basis, the State recognizes expenditures when goods or services are received regardless of the year encumbered.

*Original budget* amounts in the accompanying budgetary statements have been taken from the first

complete appropriated budget for fiscal year 2006. An appropriated budget is the expenditure authority created by appropriation bills that are signed into law and related estimated revenues. The original budget also includes actual appropriation amounts automatically carried over from prior years by law, including the automatic rolling forward of appropriations to cover prior-year encumbrances.

*Final budget* amounts represent original appropriations modified by authorized transfers, supplemental and amended appropriations, and other legally authorized legislative and executive changes applicable to fiscal year 2006, whenever signed into law or otherwise legally authorized.

For fiscal year 2006, no excess of expenditures over appropriations were reported in individual funds.

A reconciliation of the fund balances reported under the GAAP basis and budgetary basis for the General Fund and the major special revenue funds is presented on the following page.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 3 GAAP versus NON-GAAP BUDGETARY BASIS (Continued)**

**Primary Government**  
**Reconciliation of GAAP Basis Fund Balances to Non-GAAP Budgetary Basis Fund Balances**  
**For the General Fund and Major Special Revenue Funds**  
**As of June 30, 2006**  
*(dollars in thousands)*

	Major Special Revenue Funds				
	General	Job, Family, and Other Human Services	Education	Highway Operating	Revenue Distribution
Total Fund Balances - GAAP Basis .....	\$ 1,909,683	\$ 177,707	\$ 64,818	\$ 752,824	\$ 27,869
Less: Reserved Fund Balances .....	617,733	2,175,569	28,011	1,726,093	127,121
Less: Designated Fund Balances .....	1,010,689	—	—	—	—
Unreserved/Undesignated Fund Balances —					
GAAP Basis .....	281,261	(1,997,862)	36,807	(973,269)	(99,252)
<b>BASIS DIFFERENCES</b>					
Revenue Accruals/Adjustments:					
Cash Equity with Treasurer .....	(12,756)	(9,275)	—	(1,323)	(8,126)
Taxes Receivable .....	(1,088,389)	—	—	(65,238)	(369,171)
Intergovernmental Receivable .....	(346,082)	(417,688)	(143,882)	(118,770)	—
Loans Receivable, Net .....	(244,202)	—	(44)	(82,263)	—
Interfund Receivable .....	(2,925)	—	—	—	—
Other Receivables .....	(267,998)	(71,813)	(308)	(2,655)	—
Deferred Revenue .....	314,209	162,275	10,389	5,255	35,155
Unearned Revenue .....	—	42,761	83,463	4,889	7,943
Total Revenue Accruals/Adjustments .....	(1,648,143)	(293,740)	(50,382)	(260,105)	(334,199)
Expenditure Accruals/Adjustments:					
Cash Equity with Treasurer .....	(77,321)	(10,005)	(878)	(16,334)	—
Inventories .....	(24,254)	—	—	(30,633)	—
Other Assets .....	(15,403)	(1,929)	(5,141)	(2,965)	—
Accounts Payable .....	176,138	53,253	13,587	172,491	—
Accrued Liabilities .....	119,791	15,630	1,728	23,095	—
Medicaid Claims Payable .....	880,091	—	—	—	—
Intergovernmental Payable .....	377,211	230,590	59,946	316	595,371
Interfund Payable .....	701,130	21,011	2,466	114,656	395
Payable to Component Units .....	14,967	372	2,735	252	—
Refund and Other Liabilities .....	778,848	15,905	—	—	70,389
Liability for Escheat Property .....	10,249	—	—	—	—
Total Expenditure Accruals/Adjustments .....	2,941,447	324,827	74,443	260,878	666,155
Other Adjustments:					
Fund Balance Reclassifications:					
From Unreserved (Non-GAAP Budgetary Basis) to Reserved for:					
Noncurrent Portion of Loans Receivable .....	240,365	—	42	76,905	—
Inventories .....	24,254	—	—	30,633	—
State and Local Highway Construction .....	—	—	—	—	127,121
Federal Programs .....	—	5,479	6,060	3,271	—
Other .....	50,394	5,614	533	8,088	—
From Undesignated (Non-GAAP Budgetary Basis) to Designated .....	1,010,689	—	—	—	—
Cash and Investments Held					
Outside of State Treasury .....	(471,940)	(11,267)	(2,945)	(754)	(7,900)
Other .....	(1)	—	—	—	—
Total Other Adjustments .....	853,761	(174)	3,690	118,143	119,221
Total Basis Differences .....	2,147,065	30,913	27,751	118,916	451,177
<b>TIMING DIFFERENCES</b>					
Encumbrances .....	(358,653)	(331,326)	(13,069)	(167,368)	—
Budgetary Fund Balances (Deficits) —					
Non-GAAP Basis .....	\$2,069,673	\$ (2,298,275)	\$ 51,489	\$ (1,021,721)	\$ 351,925



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 4 DEPOSITS AND INVESTMENTS

#### A. Legal Requirements

The deposit and investment policies of the Treasurer of State and the State Board of Deposit are governed by the Uniform Depository Act, Chapter 135, Ohio Revised Code, which requires state moneys to be maintained in one of the following three classifications:

**Active Deposits** — Moneys required to be kept in a cash or near-cash status to meet current demands. Such moneys must be maintained either as cash in the State's treasury or in any of the following: a commercial account that is payable or withdrawable, in whole or in part, on demand, a negotiable order of withdrawal account, a money market deposit account, or a designated warrant clearance account.

**Inactive Deposits** — Those moneys not required for use within the current two-year period of designation of depositories. Inactive moneys may be deposited or invested only in certificates of deposit maturing not later than the end of the current period of designation of depositories.

**Interim Deposits** — Those moneys not required for immediate use, but needed before the end of the current period of designation of depositories. Interim deposits may be deposited or invested in the following instruments:

- U.S. treasury bills, notes, bonds, or other obligations or securities issued by or guaranteed as to principal and interest by the United States;
- Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality;
- Bonds and other direct obligations of the State of Ohio issued by the Treasurer of State and of the Ohio Public Facilities Commission, the Ohio Building Authority, and the Ohio Housing Finance Agency;
- Commercial paper issued by any corporation that is incorporated under the laws of the United States or a state, and rated at the time of purchase in the two highest rating categories by two nationally recognized rating agencies;
- Written repurchase agreements with any eligible Ohio financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer in the securities enumerated above;

- No-load money market mutual funds consisting exclusively of securities and repurchase agreements enumerated above;
- Securities lending agreements with any eligible financial institution that is a member of the Federal Reserve System or Federal Home Loan Bank, or any recognized U.S. government securities dealer;
- Bankers' acceptances maturing in 270 days or less;
- Certificates of deposit in the eligible institutions applying for interim moneys, including linked deposits, as authorized under Sections 135.61 to 135.67, Ohio Revised Code; agricultural linked deposits, as authorized under Sections 135.71 to 135.76, Ohio Revised Code; and housing linked deposits, as authorized under Sections 135.81 to 135.87, Ohio Revised Code;
- The Treasurer of State's investment pool, as authorized under Section 135.45, Ohio Revised Code;
- Debt interests, other than commercial paper as enumerated above, of corporations incorporated under the laws of the United States or a state, of foreign nations diplomatically recognized by the United States, or any instrument based on, derived from, or related to such interests that are rated at the time of purchase in the three highest categories by two nationally recognized rating agencies, and denominated and payable in U.S. funds; and
- Obligations of a board of education, as authorized under Sections 133.10 or 133.301, Ohio Revised Code.

The reporting entity's deposits must be held in insured depositories approved by the State Board of Deposit and must be fully collateralized. However, in the case of foundations and other component units of the colleges and universities, deposits of these entities are not subject to the legal requirements for deposits of governmental entities.

Deposit and investment policies of certain individual funds and component units are established by Ohio Revised Code provisions other than the Uniform Depository Act and by bond trust agreements. In accordance with applicable statutory authority, the State Highway Patrol Retirement System Pension Trust Fund, the Tuition Trust Authority Enterprise Fund, the Workers' Compensation Enterprise Fund, the Retirement Systems Agency Fund, and the



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

higher education institutions may also invest in common and preferred stocks, domestic and foreign corporate and government bonds and notes, mortgage loans, limited partnerships, venture capital, real estate, and other investments.

**B. State-Sponsored Investment Pool**

The Treasurer of State is the investment advisor and administrator of the State Treasury Asset Reserve of Ohio (STAR Ohio), a statewide external investment pool authorized under Section 135.45, Ohio Revised Code. STAR Ohio issues a stand-alone financial report, copies of which may be obtained by making a written request to: Director of Investments, Treasurer of State, 30 East Broad Street, 9<sup>th</sup> Floor, Columbus, Ohio 43215, by calling (614) 466-2160, or by accessing the Treasurer of State's website at [www.ohiotreasurer.org](http://www.ohiotreasurer.org).

**C. Deposit and Investment Risks**

Although exposure to risks is minimized by complying with the legal requirements explained above and internal policies adopted by the Treasurer of State and the investment departments at the various state agencies, the State's deposits and investments are exposed to risks that may lead to losses of value.

The following risk disclosures report investments by type. The "U.S. Agency Obligations" category includes securities issued by federal government agencies and instrumentalities, including government-sponsored enterprises.

**1. Custodial Credit Risk**

Custodial credit risk for deposits exists when a government is unable to recover deposits or recover collateral securities that are in the possession of an outside party in the event of a failure of a depository financial institution.

Deposits of the primary government and its component units are exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

In Ohio, legal requirements for depositor-governments are met when deposits are collateralized with securities held by the pledging financial institution, or by the pledging financial institution's trust department or agent but not in the government's name. The State's reporting entity has not established specific policies for managing custodial credit risk exposure for deposits.

The table below reports the carrying amount of deposits, as of June 30, 2006, held by the primary government, including fiduciary activities, and its component units and the extent of exposure to custodial credit risk.

Custodial credit risk for investments exists when a government is unable to recover the value of investment or collateral securities that are in the possession of an outside party in the event of a failure of a counterparty to a transaction.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department but not in the government's name.

The State's reporting entity has not established specific policies for managing custodial credit risk exposure for investments.

**Primary Government (including Fiduciary Activities) and Component Units  
 Deposits—Custodial Credit Risk  
 As of June 30, 2006  
 (dollars in thousands)**

	Carrying Amount	Bank Balance	Uncollateralized*	Uninsured Portion of Reported Bank Balance	
				Collateralized with Securities Held by the Pledging Institution's Trust Department or Agent but not in the Depositor-Government's Name	Collateralized with Securities Held by the Pledging Institution
Primary Government.....	\$ 580,953	\$ 672,666	\$ —	\$144,258	\$ —
Component Units .....	601,732	694,132	71,166	555,390	19,174
Total Deposits — Reporting Entity..	\$1,182,685	\$1,366,798	\$71,166	\$699,648	\$19,174

\*Uncollateralized deposits are reported for the foundations and other component units of the colleges and universities.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The following tables report the fair value, as of June 30, 2006, of investments by type for the primary government, including fiduciary activities, and its component units, and the extent of exposure to custodial credit risk (dollars in thousands).

<b>Primary Government (including Fiduciary Activities) and Component Units</b> <b>Investments—Custodial Credit Risk</b> <b>As of June 30, 2006</b> <i>(dollars in thousands)</i>		
	Total Fair Value	Uninsured, Unregistered, and Held by the Counterparty's Trust Department or Agent but not in the State's Name
<b>Investments for the Primary Government (including Fiduciary Activities), as of June 30, 2006</b>		
<i>Investments Subject to Custodial Credit Risk Exposure:</i>		
U.S. Government Obligations.....	\$16,704,394	\$150,447
U.S. Government Obligations—Strips .....	343,327	—
U.S. Agency Obligations .....	14,241,264	—
U.S. Agency Obligations—Strips .....	303,131	—
Common and Preferred Stock.....	65,237,631	—
Corporate Bonds and Notes.....	12,928,705	—
Corporate Bonds and Notes—Strips .....	744	—
Commercial Paper.....	4,647,180	—
Repurchase Agreements.....	472,573	312
Mortgage and Asset-Backed Securities .....	9,075,544	—
Municipal Obligations .....	3,822	—
International Investments:		
Foreign Stocks .....	32,148,752	—
Foreign Bonds .....	1,473,937	—
High-Yield and Emerging Markets Fixed Income.....	1,051,293	—
Securities Lending Collateral:		
Commercial Paper .....	32,976	—
Repurchase Agreements .....	2,594,130	50,000
Mortgage and Asset-Backed Securities .....	48,211	—
Variable Rate Notes .....	1,683,656	—
Master Notes.....	555,132	—
	<b>\$200,759</b>	
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>		
Investments Held by Broker-Dealers under Securities Loans with Cash Collateral:		
U.S. Government Obligations .....	2,321,564	
U.S. Government Obligations—Strips .....	11,830	
U.S. Agency Obligations .....	3,863,700	
U.S. Agency Obligations—Strips .....	260,744	
Common and Preferred Stock.....	1,054,601	
Corporate Bonds and Notes.....	134,428	
Mortgage and Asset-Backed Securities .....	969	
International Investments:		
Foreign Stocks .....	881,543	
Foreign Bonds .....	1,032	
High-Yield and Emerging Markets Fixed Income.....	90,149	
International Investments—Commingled Equity Funds .....	711,130	
Equity Mutual Funds.....	5,169,763	
Bond Mutual Funds .....	2,042,002	
Real Estate .....	13,591,703	
Venture Capital.....	3,161,428	
Limited Partnerships .....	427,339	
Investment Contracts .....	944	
Deposit with Federal Government.....	625,375	
Component Units' Equity in State Treasurer's Cash and Investment Pool .....	(927,224)	
Component Units' Equity in the State Treasury Asset Reserve of Ohio .....	(381,158)	
Total Investments — Primary Government.....	<b>\$196,588,264</b>	

*(Continued)*



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

	Total Fair Value	Counterparty's Trust Department or Agent but not in the Component Unit's Name	Counterparty but not in the Component Unit's Name	Uninsured, Unregistered, and Held by the
<b>Investments for Component Units, as of June 30, 2006</b>				
<i>Investments Subject to Custodial Credit Risk Exposure:</i>				
U.S. Government Obligations.....	\$ 240,244	\$ 79,158	\$ 76,633	
U.S. Government Obligations—Strips.....	13,382	3,686	—	
U.S. Agency Obligations .....	918,025	387,509	293,629	
Common and Preferred Stock.....	1,726,206	343,593	654,394	
Corporate Bonds and Notes.....	244,291	54,861	111,584	
Commercial Paper.....	14,488	3,875	—	
Repurchase Agreements.....	323,257	160,967	136,873	
Mortgage and Asset-Backed Securities .....	8,568	—	—	
Negotiable Certificates of Deposit .....	405	—	—	
Municipal Obligations .....	817	293	60	
Other Investments .....	5,225	3,935	—	
				\$1,037,877 \$1,273,173
<i>Investments Not Subject to Custodial Credit Risk Exposure:</i>				
Equity Mutual Funds.....	1,980,764			
Bond Mutual Funds .....	934,787			
International Investments:				
Foreign Stocks .....	102,997			
Foreign Bonds.....	20,414			
Equity Mutual Funds .....	7,977			
Real Estate.....	157,746			
Direct Mortgages .....	105,011			
Life Insurance.....	17,057			
Investment Contracts .....	916,773			
Charitable Remainder Trusts .....	9,762			
Partnerships and Hedge Funds.....	316,038			
Investment in State Treasurer's Cash and Investment Pool .....	927,224			
Investment in the State Treasury Asset Reserve of Ohio (STAR Ohio).....	381,158			
Total Investments — Component Units .....	9,372,616			
Total Investments — Reporting Entity .....	\$205,960,880			

**Reconciliation of Deposits and Investments Disclosures with Financial Statements**

**As of June 30, 2006**

(dollars in thousands)

	Government-Wide Statement of Net Assets			Fiduciary Funds Statement of Net Assets	Total
	Governmental Activities	Business-Type Activities	Component Units		
Cash Equity with Treasurer.....	\$ 6,789,609	\$ 89,382	\$ 582,299	\$ 241,155	\$ 7,702,445
Cash and Cash Equivalents.....	104,753	207,112	699,997	134,271	1,146,133
Investments.....	891,754	16,105,147	5,815,309	165,676,153	188,488,363
Collateral on Lent Securities .....	3,857,013	44,698	323,246	323,017	4,547,974
Deposit with Federal Government.....	—	625,375	—	—	625,375
Restricted Assets:					
Cash Equity with Treasurer.....	—	800	13,847	—	14,647
Cash and Cash Equivalents.....	—	1,540	479,264	—	480,804
Investments.....	—	1,577,356	2,052,554	—	3,629,910
Collateral on Lent Securities .....	—	351,854	7,832	—	359,686
Total Reporting Entity .....	\$11,643,129	\$19,003,264	\$9,974,348	\$166,374,596	\$206,995,337
Total Carrying Amount of Deposits and Investments per Financial Statements					\$206,995,337
Outstanding Warrants and Other Reconciling Items					193,850
Differences Resulting from Component Units with December 31 Year-Ends					(45,622)
Total Carrying Amount of Deposits and Investments Disclosed in Note 4					\$207,143,565



#### **NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

The total carrying amount of deposits and investments, as of June 30, 2006, reported for the primary government and its component units is (dollars in thousands) \$206,995,337. The total of the carrying amounts of both deposits in the amount of \$1,182,685 and investments in the amount of \$205,960,880 that has been categorized and disclosed in this note is \$207,143,565. A reconciliation of the difference is presented in the table on the previous page.

#### **2. Credit Risk**

The risk that an investment's issuer or counterparty will not satisfy its obligation is called credit risk. The exposure to this risk has been minimized through the laws and policies adopted by the State.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires such investments to carry certain credit ratings at the time of purchase as follows:

- Commercial paper must carry ratings in the two highest categories by two nationally recognized rating agencies;
- Debt interests (other than commercial paper) must carry ratings in one of the three highest categories by two nationally recognized rating agencies. This requirement is met when either the debt interest or the issuer of the debt interest carries this rating.

Investment policies of the Treasurer of State's Office further define required credit ratings as follows:

- Commercial paper must have a short-term debt rating of at least "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer,
- Banker acceptances must carry a minimum of "AA" for long-term debt ("AAA" for foreign issuers) by a majority of the agencies rating the issuer. For short-term debt, the rating must be "A1" or equivalent by all agencies that rate the issuer, with at least two agencies rating the issuer,
- Corporate notes must be rated at a minimum of "Aa" by Moody's Investors Service and a minimum of "AA" by Standard & Poor's for long-term debt,
- Foreign debt must be guaranteed as to principal and interest by the United States or be rated in one of the three highest categories by at least two rating agencies, and

- For Registered Investment Companies (Mutual Funds), no-load money market mutual funds must carry a rating of "AAm", "AAm-G", or better by Standard & Poor's or the equivalent rating of another agency.

Investment policies regarding credit risk that are in addition to Ohio Revised Code requirements and are specific to the following significant entities reported in the State's reporting entity are as follows:

##### *Workers' Compensation Enterprise Fund*

The Fund requires an average credit quality no lower than an "A" rating for fixed income securities.

##### *State Highway Patrol Retirement System*

##### *Pension Trust Fund*

When purchased, bond investments must be rated within the four highest classifications of at least two rating agencies.

##### *STAR Ohio Investment Trust Fund*

Investment policies governing the STAR Ohio external investment pool require that all securities must be rated the equivalent of "A-1" or higher, and at least 50 percent of the total average portfolio must be rated "A-1+" or better.

##### *Retirement Systems Agency Fund*

For the Ohio Public Employees Retirement System, non-investment grade securities are limited to 15 percent of the total Global Bond portfolio. Under the Cash Management Policy, issues rated in the A2/P2 category are limited to five percent of the portfolio and one percent per issuer. Those rated in the A3/P3 category are limited to two percent of the portfolio (one-half percent per issuer) with a final maturity of the next business day.

For the Ohio Police and Fire Pension Fund,

- Securities in the core fixed income portfolio shall be rated "BBB-" or better by two standard rating agencies at the time of purchase,
- Securities in the high yield fixed income portfolio are high yield bonds issued by US corporations with a minimum rating of "CCC" or equivalent,
- Investment managers may purchase securities that are "Not Rated" as long as they deem these securities to be at least equivalent to the minimum ratings,
- Commercial paper must be rated within the two highest classifications established by two standard rating agencies, and
- Investment managers may hold no more than 15 percent of their entire portfolio in convertible bonds with no minimum credit rating specified.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Ohio Water Development Authority**

**Component Unit Fund**

The Authority's policy authorizes the acquisition of repurchase agreements from financial institutions with a Moody's or Standard & Poor's rating of "A" and the entering into investment agreements with financial institutions rated in the highest short-term categories or one of the top three long-term categories by Moody's and/or Standard & Poor's.

**University of Cincinnati Component Unit Fund**

The policy governing the university's temporary investment pool permits investments in securities rated "A" or higher at the time of purchase. Endowment investment-grade bonds are limited to those in the first four grades of any rating system. Below-investment grade, high-yield bond investments and certain unrated investments having strategic value to the university are permitted.

**Primary Government (including Fiduciary Activities)  
Investment Credit Ratings  
As of June 30, 2006**  
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations* .....	\$ 9,851,501	\$2,981,384	\$ 10,779	\$ —	\$ —	\$ —
U.S. Agency Obligations—Strips .....	63,449	500,426	—	—	—	—
Corporate Bonds and Notes .....	1,074,868	2,331,903	4,516,149	3,025,293	528,172	799,209
Corporate Bonds and Notes—Strips .....	744	—	—	—	—	—
Commercial Paper .....	1,666,449	399,469	857,642	—	—	—
Repurchase Agreements .....	9,723	201,017	—	—	—	—
Mortgage and Asset-Backed Securities .....	7,792,316	172,555	66,169	129,836	—	528
Municipal Obligations .....	3,300	—	522	—	—	—
Foreign Bonds .....	132,495	137,969	233,173	419,662	363,459	69,896
High-Yield & Emerging Markets Fixed Income..	—	—	—	122,187	314,772	482,223
Bond Mutual Funds.....	1,286,519	304,586	—	12,134	53,152	12,518
Investment Contracts.....	—	—	—	—	—	—
Securities Lending Collateral:						
Commercial Paper.....	—	—	32,976	—	—	—
Repurchase Agreements.....	42,357	—	947,330	1,568,413	25,000	1,955
Mortgage and Asset-Backed Securities .....	48,211	—	—	—	—	—
Variable Rate Notes .....	—	545,000	1,138,656	—	—	—
Master Notes .....	—	460,132	95,000	—	—	—
Total Primary Government.....	\$21,971,932	\$8,034,441	\$7,898,396	\$5,277,525	\$ 1,284,555	\$ 1,366,329

Investment Type	Credit Rating					
	CCC/Caa	CC/Ca	C	D	Unrated	Total
U.S. Agency Obligations* .....	\$ —	\$ —	\$ —	\$ —	\$ 5,255,659	\$18,099,323
U.S. Agency Obligations—Strips .....	—	—	—	—	—	563,875
Corporate Bonds and Notes .....	96,520	40,384	168	3,945	646,522	13,063,133
Corporate Bonds and Notes—Strips .....	—	—	—	—	—	744
Commercial Paper .....	—	—	—	—	1,723,620	4,647,180
Repurchase Agreements .....	—	—	—	—	261,833	472,573
Mortgage and Asset-Backed Securities .....	—	—	—	—	915,109	9,076,513
Municipal Obligations .....	—	—	—	—	—	3,822
Foreign Bonds .....	9,122	—	—	3,576	105,617	1,474,969
High-Yield & Emerging Markets Fixed Income..	104,504	429	—	6,386	110,941	1,141,442
Bond Mutual Funds.....	—	—	—	—	373,093	2,042,002
Investment Contracts.....	—	—	—	—	944	944
Securities Lending Collateral:						
Commercial Paper.....	—	—	—	—	—	32,976
Repurchase Agreements.....	—	—	—	—	9,075	2,594,130
Mortgage and Asset-Backed Securities .....	—	—	—	—	—	48,211
Variable Rate Notes .....	—	—	—	—	—	1,683,656
Master Notes .....	—	—	—	—	—	555,132
Total Primary Government.....	\$ 210,146	\$ 40,813	\$ 168	\$ 13,907	\$9,402,413	\$55,500,625

\* The portion of U.S. Agency Obligations that are explicitly guaranteed by the U.S. government have been excluded from this table since these investments are not exposed to credit risk.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Component Units**  
**Investment Credit Ratings**  
**As of June 30, 2006**  
(dollars in thousands)

Investment Type	Credit Rating					
	AAA/Aaa	AA/Aa	A/A-1	BBB/Baa	BB/Ba	B
U.S. Agency Obligations*	\$ 867,686	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate Bonds and Notes	69,105	34,441	74,765	30,658	6,817	21,106
Commercial Paper	—	248	8,854	—	—	—
Repurchase Agreements	162,290	—	—	—	—	—
Mortgage and Asset-Backed Securities	8,568	—	—	—	—	—
Negotiable Certificates of Deposit	—	—	—	—	—	—
Municipal Obligations	475	32	10	—	—	—
Bond Mutual Funds	584,709	119,349	71,072	44,051	20,119	37,210
Foreign Bonds	283	16	1,726	2,694	11,295	3,208
Direct Mortgages	—	—	—	—	—	—
Investment Contracts	—	—	—	—	—	—
Other Investments	21	—	—	—	—	—
Total Component Units	\$ 1,693,137	\$ 154,086	\$ 156,427	\$ 77,403	\$ 38,231	\$ 61,524
Credit Rating						
Investment Type	CCC/Caa		C	Unrated		Total
	\$ —	\$ —	\$ 44,926	\$ 912,612		
U.S. Agency Obligations*	\$ —	\$ 5,471	—	1,928	244,291	
Corporate Bonds and Notes	—	—	—	5,386	14,488	
Commercial Paper	—	—	—	160,967	323,257	
Repurchase Agreements	—	—	—	—	8,568	
Mortgage and Asset-Backed Securities	—	—	—	—	405	
Negotiable Certificates of Deposit	—	—	—	300	405	
Municipal Obligations	—	—	—	—	817	
Bond Mutual Funds	5,384	551	52,342	—	934,787	
Foreign Bonds	207	—	—	985	20,414	
Direct Mortgages	—	—	—	105,011	105,011	
Investment Contracts	—	—	—	916,773	916,773	
Other Investments	—	—	—	3,935	3,956	
Total Component Units	\$ 11,062	\$ 551	\$ 1,292,958	\$ 3,485,379		

\* The portion of U.S. Agency Obligations that are explicitly guaranteed by the U.S. government have been excluded from this table since these investments are not exposed to credit risk.

All investments, as categorized by credit ratings in the tables above and on the previous page, meet the requirements of the State's laws and policies, when applicable.

Descriptions of the investment credit ratings shown in the tables are as follows:

Rating	General Description of Credit Rating
AAA/Aaa	Extremely strong
AA/Aa	Very strong
A/A-1	Strong
BBB/Baa	Adequate
BB/Ba	Less vulnerable
B	More vulnerable
CCC/Caa	Currently vulnerable to nonpayment
CC/Ca	Currently highly vulnerable to nonpayment
C	Currently highly vulnerable to nonpayment due to certain conditions (e.g., filing of bankruptcy petition or similar action by issuer)
D	Currently highly vulnerable to nonpayment for failure to pay by due date

### 3. Concentration of Credit Risk

The potential for loss of value increases when investments are not diversified. The State has imposed limits on the types of authorized investments to prevent this type of loss.

For investments that are included in the treasury's cash and investment pool and reported as "Cash Equity with Treasurer" and other investment securities managed by the Treasurer of State's Office, Chapter 135, Ohio Revised Code, requires the following:

- Investments in commercial paper may not exceed 25 percent of the State's total average portfolio,
- Bankers acceptances cannot exceed 10 percent of the State's total average portfolio,
- Debt interests cannot exceed 25 percent of the State's total average portfolio,



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

- Debt interests in foreign nations may not exceed one percent of the State's total average portfolio, and
- Debt interests of a single issuer may not exceed one-half of one percent of the State's total average portfolio.

Investment policies of the Treasurer of State further restrict concentrations of investments. Maximum concentrations are as follows:

Investment Type	Maximum % of Total Average Portfolio
U.S. Treasury.....	100
Federal Agency (fixed rate) .....	100
Federal Agency (callable).....	55
Federal Agency (variable rate).....	10
Repurchase Agreements .....	25
Bankers' Acceptances .....	10
Commercial Paper.....	25
Corporate Notes .....	5
Foreign Notes .....	1
Certificates of Deposit .....	20
Municipal Obligations .....	10
STAR Ohio.....	25
Mutual Funds .....	25

The investment policies of the Treasurer of State's Office also specify that commercial paper is limited to no more than five percent of the issuing corporation's total outstanding commercial paper, and investments in a single issuer are further limited to no more than two percent of the total average portfolio except for U.S. government obligations, limited at 100 percent; repurchase agreement counterparties, limited at the lesser of five percent or \$250 million; bankers' acceptances, limited at five percent; corporate notes and foreign debt, limited at one-half of one percent; and mutual funds, limited at 10 percent.

For the U.S. Equity Portfolio of the Workers' Compensation Enterprise Fund, no single holding is to be more than five percent of the entire portfolio at market, or five percent of the outstanding equity securities of any one corporation.

For the Lottery Commission Enterprise Fund, no more than two percent of the total average portfolio may be invested in the securities of any single issuer with the following exceptions: U.S. government obligations, 100 percent maximum; repurchase agreements, limited at the lesser of five percent or \$250 million; and mutual funds, 10 percent maximum.

The State Highway Patrol Retirement System Pension Trust Fund's policy prohibits the investment of more than 10 percent of its fixed income portfolio in securities of any one issuer with the exception of U.S. government securities, or the investment of

more than five percent of the Fund's total investments in any one issuer with the exception of U.S. government securities.

For the STAR Ohio Investment Trust Fund, investments in a single issuer are further limited to no more than two percent of the total average portfolio except for U.S. Treasury obligations, limited at 100 percent; U.S. Agency obligations, limited at 33 percent; repurchase agreement counterparties, limited at the lesser of 10 percent or \$500 million; and mutual funds, limited at 10 percent.

As of June 30, 2006, all investments meet the requirements of the State's laws and policies, when applicable. However, investments in certain issuers are greater than five percent of investment balances, as follows (dollars in thousands):

Issuer	Amount	Percentage of Investment Balance
<i>Governmental and Business-Type Activities:</i>		
Federal National		
Mortgage Association .....	\$4,577,437	13%
Federal Home Loan Bank.....	2,147,985	6%
Federal Home Loan		
Mortgage Corporation.....	3,970,246	11%
<i>STAR Ohio Investment Trust Fund:</i>		
Federal National		
Mortgage Association.....	1,288,228	31%
Federal Home Loan Bank.....	901,888	22%
Federal Home Loan		
Mortgage Corporation .....	936,262	23%
<i>School Facilities Commission Component Unit Fund:</i>		
Federal National		
Mortgage Association.....	67,556	8%
Federal Home Loan Bank.....	143,491	17%
Federal Home Loan		
Mortgage Corporation .....	112,350	13%
<i>Ohio Water Development Authority Component Unit Fund (12/31/05):</i>		
Federal Home Loan Bank.....		
AIGMFC .....	128,165	9%
Citigroup .....	386,479	26%
Goldman Sachs .....	323,173	22%
Goldman Sachs .....	81,140	5%
<i>Nonmajor Component Units:</i>		
Federal National		
Mortgage Association .....	149,244	5%
Federal Home Loan		
Mortgage Corporation .....	158,104	6%



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 4 DEPOSITS AND INVESTMENTS (*Continued*)

#### 4. Interest Rate Risk

Certain of the State's investments are exposed to interest rate risk. This risk exists when changes to interest rates will negatively impact the fair value of an investment. The State has adopted policies to mitigate this risk.

Investment policies governing the treasury's cash and investment pool, which is reported as "Cash Equity with Treasurer" and is managed by the Treasurer of State's Office, limit maturities of short-term investments to no more than 12 months with a weighted average maturity not to exceed 90 days. For long-term investments, maturities are limited to five years or less, except for those that are matched to a specific obligation or debt of the State. A duration target of three years or less has been established for long-term investments.

Variable rate notes are permitted if they meet the following criteria:

- the note has an ultimate maturity of less than three years,
- the rate resets frequently to follow money market rates,
- the note is indexed to a money market rate that correlates (by at least 95 percent) with overall money market rate changes, even during wide swings in interest rates, e.g., federal funds, 3-month treasury bill, LIBOR, and
- any cap on the interest rate is at least 15 percent (1500 basis points) higher than the coupon at purchase.

The Lottery Commission Enterprise Fund's investments are required to have maturities of 30 years or less. In no case may the maturity of an investment exceed the expected date of disbursement of those funds.

For the State Highway Patrol Retirement System Pension Trust Fund, investment policies require that the Fund's fixed income portfolio has an average maturity of 10 years or less.

Investment policies governing the STAR Ohio Investment Trust Fund limit maturities of investments to a final stated maturity of 397 days or less. The weighted average maturity of each portfolio is limited to 60 days or less.

Investments purchased under the Cash Management Policy of the Ohio Public Employees

Retirement System are limited to a weighted average maturity of 90 days. Fixed rate notes are required to have an average maturity of 14 months. Floating rate notes, with a rating of AA and higher, are limited to an average maturity of three years. All other issues are limited to a two-year average maturity.

All investments of the Ohio Water Development Authority Component Unit Fund must mature within five years unless the investment is matched to a specific obligation or debt of the Authority.

The policy of the University of Cincinnati Component Unit Fund stipulates that the weighted average maturity in the Temporary Investment Pool shall be no longer than five years. The weighted average of the fixed income maturities in the university's endowment portfolio shall not exceed 20 years.

As of June 30, 2006, several investments reported as "Cash Equity with Treasurer" have terms that make their fair values highly sensitive to interest rate changes. The U.S. agency obligations investment type includes \$146.2 million of investments with call dates during fiscal year 2007. Investments of \$4.9 million callable in fiscal year 2007 also have scheduled maturities during fiscal year 2007 and are reported in the table on the following page as maturing in less than one year. Investments of \$141.3 million callable in fiscal year 2007 have maturities during fiscal years 2008 and 2009 and are reported in the table on the following page as maturing in one to five years.

Several investments reported as "Collateral on Lent Securities" have terms that make them highly sensitive to interest rate changes as of June 30, 2006. Master Notes of \$200 million and variable rate notes of \$310 million have daily reset dates. Mortgage and asset-backed securities of \$48.4 million and variable rate notes of \$350 million have monthly reset dates. Variable rate notes of \$810.6 million have quarterly reset dates.

As of June 30, 2006, the Workers' Compensation Enterprise Fund held approximately \$748 million in certain mortgage and asset-backed securities (primarily classified under the "Corporate Bonds and Notes" investment type). The overall return or yield on mortgage and asset-backed securities depends on the interest amount collected over the life of the security and the change in the fair value. Although the Bureau will receive the full principal amount, if prepaid, the interest income that would have been collected during the remaining period to maturity is



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

lost. Accordingly, the yields and maturities of mortgage and asset-backed securities generally depend on when the underlying loan principal and interest are repaid. If the market rates fall below a loan's contractual rate, it is generally to the borrower's advantage to repay the existing loan and obtain new, lower interest rate financing.

The Lottery Commission Enterprise Fund has investments with call dates and collateral on lent securities with reset dates. U.S. agency obligations of \$3.5 million that are callable in fiscal year 2007 have a scheduled maturity during fiscal year 2012. An additional \$3 million that are callable in fiscal year 2007 have a scheduled maturity during fiscal year 2022. These investments are reported as maturing in six to 10 years and in over 10 years, respectively, in the table below. Master notes and variable rate notes with reset dates are reported as collateral on lent securities. Master notes of \$30 million have daily reset dates. Variable rate notes of \$97.7 million, \$50 million, and \$65.6 million, respectively have daily, monthly, and quarterly reset dates.

The State Highway Patrol Retirement System Pension Trust Fund also has investments with terms that make the fair values highly sensitive to interest rate

changes. Within the mortgage and asset-backed securities investment type are investments of \$2.7 million that include floating interest rates and adjustable coupons. The corporate bonds and notes investment type also include \$1 million of investments with coupon step-ups. The U.S agency obligations, mortgage and asset-backed securities, and corporate bonds and notes investment types contain call provisions of \$5.7 million, \$7.4 million, and \$2 million, respectively. The investments with call provisions are listed in the table below based on these terms.

Also during fiscal year 2006, the Treasurer of State acted as the custodian of the Retirement Systems Agency Fund's investments. These investments contain terms that make their fair values highly sensitive to interest rate changes. Specific information on the nature of the investments and their terms can be found in each respective system's Comprehensive Annual Financial Report.

The following table lists the investment maturities of the State's investments. All investments at June 30, 2006, meet the requirements of the State's laws and policies, when applicable.

**Primary Government (including Fiduciary Activities)  
Investments Subject to Interest Rate Risk  
As of June 30, 2006  
(dollars in thousands)**

Investment Type	Investment Maturities (in years)				
	Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations.....	\$ 951,509	\$ 4,883,983	\$3,419,832	\$ 9,770,634	\$19,025,958
U.S. Government Obligations—Strips .....	2,326	13,213	89,633	249,985	355,157
U.S. Agency Obligations.....	7,604,097	3,921,202	711,935	5,867,730	18,104,964
U.S. Agency Obligations—Strips .....	99,443	243,917	134,839	85,676	563,875
Corporate Bonds and Notes .....	1,727,296	5,232,044	3,730,951	2,372,842	13,063,133
Corporate Bonds and Notes—Strips .....	—	—	—	744	744
Commercial Paper.....	4,647,180	—	—	—	4,647,180
Repurchase Agreements.....	472,573	—	—	—	472,573
Mortgage and Asset-Backed Securities .....	—	399,533	176,113	8,500,867	9,076,513
Municipal Obligations .....	—	—	3,300	522	3,822
Foreign Bonds .....	12,813	450,935	417,364	593,857	1,474,969
High-Yield & Emerging Markets Fixed Income....	41,264	185,653	599,341	315,184	1,141,442
Bond Mutual Funds.....	1,301,741	256,164	440,182	43,915	2,042,002
Investment Contracts.....	—	944	—	—	944
Securities Lending Collateral:					
Commercial Paper.....	32,976	—	—	—	32,976
Repurchase Agreements.....	2,594,130	—	—	—	2,594,130
Mortgage and Asset-Backed Securities .....	48,211	—	—	—	48,211
Variable Rate Notes .....	1,683,656	—	—	—	1,683,656
Master Notes .....	555,132	—	—	—	555,132
Total Primary Government.....	\$21,774,347	\$15,587,588	\$9,723,490	\$27,801,956	\$74,887,381



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Component Units**  
**Investments Subject to Interest Rate Risk**  
**As of June 30, 2006**  
*(dollars in thousands)*

Investment Type	Investment Maturities (in years)				
	Less than 1	1-5	6-10	More than 10	Total
U.S. Government Obligations.....	\$ 99,574	\$ 87,492	\$ 31,832	\$ 21,346	\$ 240,244
U.S. Government Obligations—Strips .....	2,590	6,222	3,461	1,109	13,382
U.S. Agency Obligations.....	441,215	334,199	56,006	86,605	918,025
Corporate Bonds and Notes .....	41,428	106,310	55,013	41,540	244,291
Commercial Paper.....	14,488	—	—	—	14,488
Repurchase Agreements.....	321,172	2,085	—	—	323,257
Mortgage and Asset-Backed Securities .....	—	801	6,624	1,143	8,568
Negotiable Certificates of Deposit .....	405	—	—	—	405
Municipal Obligations .....	90	152	164	411	817
Bond Mutual Funds.....	302,314	375,090	175,965	81,418	934,787
Foreign Bonds .....	375	1,064	8,111	10,864	20,414
Direct Mortgages .....	—	540	—	104,471	105,011
Investment Contracts.....	—	857,926	—	58,847	916,773
Other Investments .....	388	1,468	1,285	815	3,956
Total Component Units .....	<u>\$1,224,039</u>	<u>\$1,773,349</u>	<u>\$ 338,461</u>	<u>\$408,569</u>	<u>\$3,744,418</u>

**5. Foreign Currency Risk**

Investments in stocks and bonds denominated in foreign currencies are affected by foreign currency risk which arises from changes in currency exchange rates. The State's laws and investment policies include provisions to limit the exposure to this type of risk.

According to Chapter 135, Ohio Revised Code, investments managed by the Treasurer of State's Office, and reported as "Cash Equity with Treasurer", are limited to the debt of nations diplomatically recognized by the United States and that are backed by the full faith and credit of that foreign nation.

Investment policies of the Treasurer of State's Office further limit the types of authorized investments. These requirements include maturity limitations of five years at the date of purchase and denomination of principal and interest in U.S. dollars. Other limitations are noted in the previous sections of this note that discuss credit risk and concentration of credit risk.

Investment policies regarding foreign currency risk have also been adopted for the following significant entities reported in the primary government and are specific to those entities:

*Workers' Compensation Enterprise Fund*  
The Fund's investment policy requires that

- equity securities of any one international company shall not exceed five percent of the total value of all the investments in international equity securities, and
- equity securities of any one international company shall not exceed five percent of the company's outstanding equity securities.

*Retirement Systems Agency Fund*

For the Ohio Public Employees Retirement System, non-U.S. dollar-based securities are limited to five percent of the total Global Bond portfolio. Additionally, no more than 25 percent of the Global Bond portfolio assets may be from non-U.S. issuers.

As of June 30, 2006, investments denominated in the currency of foreign nations, as detailed in the tables appearing on the next two pages for the primary government and its discretely presented component units, meet the requirements of the State's laws and policies, when applicable.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Primary Government (including Fiduciary Activities)  
International Investments—Foreign Currency Risk  
As of June 30, 2006**  
*(dollars in thousands)*

Currency	Fiduciary Activities			Total
	Stocks	Bonds	High-Yield & Emerging Markets Fixed Income	
Argentinean Peso .....	\$ 43,509	\$ —	\$ 421	\$ 43,930
Australian Dollar .....	412,323	—	—	412,323
Bahamian Dollar .....	26	—	—	26
Belize Dollar.....	2	—	—	2
Bermudian Dollar.....	309	—	—	309
Brazilian Real.....	380,771	—	1,174	381,945
British Pound .....	2,158,055	—	—	2,158,055
Bulgarian Lev.....	41	—	—	41
Canadian Dollar.....	699,920	—	—	699,920
Caymanian Dollar.....	53	—	2,286	2,339
Chilean Peso .....	28,237	—	—	28,237
Chinese Yuan .....	54,200	—	—	54,200
Colombian Peso .....	6,656	—	4,561	11,217
Czech Koruna .....	21,823	—	—	21,823
Danish Krone .....	67,546	—	—	67,546
Egyptian Pound .....	39,947	—	1,764	41,711
Euro .....	3,824,840	165	7,485	3,832,490
Hong Kong Dollar .....	645,503	—	—	645,503
Hungarian Forint.....	57,351	—	—	57,351
Icelandic Krona .....	2	—	—	2
Indian Rupee .....	90,296	—	—	90,296
Indonesian Rupiah.....	104,623	—	453	105,076
Israeli Shekel .....	135,083	—	—	135,083
Japanese Yen.....	3,055,577	—	1	3,055,578
Jordanian Dollar.....	1	—	—	1
Lithuanian Litas.....	23	—	—	23
Malaysian Ringgit .....	158,529	—	—	158,529
Mexican Peso .....	168,715	23	1,127	169,865
Netherlands Antilles Guilder .....	2	—	—	2
New Zealand Dollar .....	11,318	—	—	11,318
Norwegian Kroner.....	157,067	—	—	157,067
Pakistani Rupee.....	8,474	—	—	8,474
Panamanian Balboa .....	4	—	—	4
Peruvian New Sol .....	30	—	—	30
Philippines Peso .....	38,460	—	—	38,460
Polish Zloty .....	31,938	—	—	31,938
Romanian Leu .....	1,177	—	—	1,177
Russian Ruble .....	15,718	—	655	16,373
Singapore Dollar.....	144,896	—	—	144,896
South African Rand.....	470,455	—	—	470,455
South Korean Won .....	905,937	—	—	905,937
Sri Lankan Rupee.....	17,267	—	—	17,267
Swedish Krona.....	175,930	—	—	175,930
Swiss Franc .....	766,894	—	—	766,894
Taiwan Dollar.....	620,480	—	—	620,480
Thailand Baht.....	139,932	—	—	139,932
Turkish Lira .....	166,690	—	2,957	169,647
Venezuelan Bolivar.....	6	—	—	6
Zimbabwean Dollar.....	3,926	—	—	3,926
Investments Held in Foreign Currency .....	\$ 15,830,562	\$ 188	\$ 22,884	15,853,634
Foreign Investments Held in U.S. Dollars.....				20,504,202
Total Foreign Investments—Primary Government, including Fiduciary Activities.....				\$36,357,836



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

**Component Units**  
**International Investments—Foreign Currency Risk**  
**As of June 30, 2006**  
*(dollars in thousands)*

Ohio State University:

Currency	Included in the Balance Reported for		
	Common & Preferred Stock	Corporate Bonds	Total
Argentinean Peso.....	\$ —	\$ 962	\$ 962
Australian Dollar.....	2,061	—	2,061
Brazilian Real .....	894	1,583	2,477
British Pound.....	18,141	—	18,141
Canadian Dollar.....	4,300	—	4,300
Danish Krone.....	400	—	400
Euro.....	31,683	226	31,909
Hong Kong Dollar.....	2,963	—	2,963
Israeli Shekel.....	532	23	555
Japanese Yen .....	23,301	—	23,301
Malaysian Ringgit.....	409	—	409
Mexican Peso.....	542	610	1,152
New Zealand Dollar.....	159	—	159
Norwegian Krone.....	4,169	—	4,169
Singapore Dollar.....	676	—	676
South African Rand .....	3,228	—	3,228
South Korean Won.....	1,926	—	1,926
Swedish Krona .....	2,776	—	2,776
Swiss Franc.....	3,849	—	3,849
Thailand Baht .....	789	—	789
Investments Held in Foreign Currency.....	102,798	3,404	106,202
Foreign Investments Held in U.S. Dollars .....	—	16,206	16,206
<b>Total Ohio State University .....</b>	<b>\$102,798</b>	<b>\$19,610</b>	<b>\$122,408</b>

Nonmajor Component Units:

Currency	Included in the Balance Reported for		
	Common & Preferred Stock	Corporate Bonds	Total
Bermudian Dollar .....	\$ 69	\$ —	\$ 69
Canadian Dollar .....	33	30	63
Euro .....	97	333	430
Israeli Shekel .....	—	382	382
Sri Lankan Rupee .....	—	59	59
<b>Total Nonmajor Component Units.....</b>	<b>\$199</b>	<b>\$804</b>	<b>\$1,003</b>



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### **NOTE 4 DEPOSITS AND INVESTMENTS (Continued)**

#### **D. Securities Lending Transactions**

The Treasurer of State and the State Highway Patrol Retirement System (SHPRS) participate in securities lending programs for securities included in the "Cash Equity with Treasurer" and "Investments" accounts. Each lending program is administered by a custodial agent bank, whereby certain securities are transferred to an independent broker-dealer (borrower) in exchange for collateral.

At the time of the loan, the Treasurer of State requires its custodial agents to ensure that the State's lent securities are collateralized at no less than 102 percent of fair value. At no point in time can the value of the collateral be less than 100 percent of the underlying securities.

The SHPRS also requires custodial agents to ensure that lent securities are collateralized at 102 percent of fair value. SHPRS requires its custodial agents to provide additional collateral when the fair value of the collateral held falls below 102 percent of the fair value of securities lent.

Consequently, as of June 30, 2006, the State had no credit exposure since the amount the State owed to borrowers at least equaled or exceeded the amount borrowers owed the State.

For loan contracts the Treasurer executes for the State's cash and investment pool, which is reported in the financial statements as "Cash Equity with Treasurer," and for the Ohio Lottery Commission Enterprise Fund's Structured Investment Portfolio, which is reported as "Restricted Investments," the lending agent may not lend more than 75 percent of the total average portfolio.

The State invests cash collateral in short-term obligations, which have a weighted average maturity of 13 days or less while the weighted average maturity of securities loans is two days or less.

The State cannot sell securities received as collateral unless the borrower defaults. Consequently, these amounts are not reflected in the financial statements.

According to the lending contracts the Treasurer of State executes for the State's cash and investment pool and for the Ohio Lottery Commission Enterprise Fund, the securities lending agent is to indemnify the Treasurer of State for any losses resulting from either the default of a borrower or any violations of the security lending policy.

During fiscal year 2006, the State had not experienced any losses due to credit or market risk on securities lending activities.

In fiscal year 2006, the Treasurer lent U.S. government and agency obligations in exchange for cash collateral while the SHPRS lent fixed maturities and equity securities in exchange for cash collateral.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 5 RECEIVABLES**

**A. Taxes Receivable — Primary Government**

Current taxes receivable are expected to be collected in the next fiscal year while noncurrent taxes receivable are not expected to be collected until more than one year from the balance sheet date. As of June 30, 2006, approximately \$334.8 million of the net taxes receivable balance is also reported as deferred revenue on the governmental funds' balance sheet, of which \$299.7 million is reported in the General Fund and \$35.1 million is reported in the Revenue Distribution Special Revenue Fund.

Refund liabilities for income and corporation franchise taxes, totaling approximately \$849.2 million, are reported for governmental activities as "Refunds and Other Liabilities" on the Statement of Net Assets, of which, \$778.8 million is reported in the General Fund and \$70.4 million is reported in the Revenue Distribution Special Revenue Fund on the governmental funds' balance sheet.

The following table summarizes taxes receivable for the primary government (dollars in thousands).

	Governmental Activities				
	Major Governmental Funds			Nonmajor Govern- ment- al Funds	Total Primary Government
	General	Highway Operating	Revenue Distribution		
<b>Current-Due Within One Year:</b>					
Income Taxes .....	\$ 585,809	\$ —	\$ 64,869	\$ 165	\$ 650,843
Sales Taxes .....	371,343	—	28,655	724	400,722
Motor Vehicle Fuel Taxes .....	—	65,238	103,793	2,269	171,300
Commercial Activity Taxes .....	—	—	136,335	—	136,335
Public Utility Taxes .....	73,040	—	28,692	—	101,732
Severance Taxes.....	—	—	—	1,674	1,674
	1,030,192	65,238	362,344	4,832	1,462,606
<b>Noncurrent-Due in More Than One Year:</b>					
Income Taxes .....	58,197	—	6,827	—	65,024
Taxes Receivable, Net .....	\$1,088,389	\$65,238	\$369,171	\$4,832	\$1,527,630

**B. Intergovernmental Receivable — Primary Government**

The intergovernmental receivable balance reported for the primary government, all of which is expected to be collected within the next fiscal year, consists of the following, as of June 30, 2006 (dollars in thousands).

	From Nonexchange Programs		From Sales of Goods and Services							
	Federal Government	Local Government	Other State Governments	Local Government	Total Primary Government					
<b>Governmental Activities:</b>										
<b>Major Governmental Funds:</b>										
General.....	\$ 333,665	\$ 7,756	\$ —	\$ 4,661	\$ 346,082					
Job, Family and Other Human Services .....	332,350	85,338	—	—	417,688					
Education .....	46,243	97,639	—	—	143,882					
Highway Operating .....	118,770	—	—	—	118,770					
Nonmajor Governmental Funds .....	269,673	16,431	—	38,642	324,746					
Total Governmental Activities .....	1,100,701	207,164	—	43,303	1,351,168					
<b>Business-Type Activities:</b>										
<b>Major Proprietary Funds:</b>										
Unemployment Compensation .....	—	—	3,351	—	3,351					
Nonmajor Proprietary Funds .....	33	—	—	8,933	8,966					
Total Business-Type Activities .....	33	—	3,351	8,933	12,317					
Intergovernmental Receivable .....	\$1,100,734	\$207,164	\$3,351	\$52,236	\$1,363,485					



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 5 RECEIVABLES (Continued)**

**C. Loans Receivable**

Loans receivable for the primary government and its discretely presented major component units, as of June 30, 2006, are detailed in the following tables (dollars in thousands).

**Primary Government — Loans Receivable**

Loan Program	Governmental Activities				Nonmajor Govern- mental Funds	Total Primary Government
	General	Education	Highway Operating	Major Governmental Funds		
Housing Finance .....	\$225,001	\$—	\$—	\$—	\$—	\$225,001
School District Solvency Assistance.....	7,641	—	—	—	—	7,641
Wayne Trace Local School District.....	4,327	—	—	—	—	4,327
State Workforce Development.....	3,678	—	—	—	—	3,678
Office of Minority Financial Incentives .....	1,283	—	—	—	—	1,283
Professional Development.....	958	—	—	—	—	958
Columbiana County Economic Stabilization .....	858	—	—	—	—	858
Small Government Fire Departments .....	507	—	—	—	—	507
Nurses Education Assistance.....	—	44	—	—	—	44
Highway, Transit, & Aviation Infrastructure Bank ..	—	—	82,263	—	—	82,263
Economic Development						
Office of Financial Incentives.....	—	—	—	311,336	311,336	
Rail Development.....	—	—	—	4,107	4,107	
Brownfield Revolving Loan .....	—	—	—	502	502	
Local Infrastructure Improvements .....	—	—	—	292,319	292,319	
Natural Resources.....	—	—	—	2	2	
Loans Receivable, Gross .....	244,253	44	82,263	608,266	934,826	
Estimated Uncollectible .....	(51)	—	—	—	(51)	
Loans Receivable, Net .....	<u>\$244,202</u>	<u>\$44</u>	<u>\$ 82,263</u>	<u>\$608,266</u>	<u>\$934,775</u>	
Current-Due Within One Year .....	\$ 12,801	\$34	\$ 11,056	\$ 31,392	\$ 55,283	
Noncurrent-Due in More Than One Year.....	231,401	10	71,207	576,874	879,492	
Loans Receivable, Net .....	<u>\$244,202</u>	<u>\$44</u>	<u>\$ 82,263</u>	<u>\$608,266</u>	<u>\$934,775</u>	

**Major Component Units — Loans Receivable**

Loan Program	Ohio Water Development Authority (12/31/05)	Ohio State University	University of Cincinnati
Water and Wastewater Treatment (including restricted portion).....	\$3,254,825	\$—	\$—
Student.....	—	83,673	37,398
Other.....	—	—	690
Loans Receivable, Gross.....	3,254,825	83,673	38,088
Estimated Uncollectible.....	—	(13,800)	(4,749)
Loans Receivable, Net.....	<u>\$3,254,825</u>	<u>\$ 69,873</u>	<u>\$ 33,339</u>
Current-Due Within One Year .....	\$ 1,218	\$ 8,429	\$ 2,994
Noncurrent-Due in More Than One Year .....	3,253,607	61,444	30,345
Loans Receivable, Net .....	<u>\$3,254,825</u>	<u>\$ 69,873</u>	<u>\$ 33,339</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 5 RECEIVABLES (Continued)**

**D. Other Receivables**

The other receivables balances reported for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2006, consist of the following (dollars in thousands).

**Primary Government — Other Receivables**

Type of Receivable	Governmental Activities						Total	
	Major Governmental Funds							
	General	Job, Family & Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds			
Manufacturers' Rebates .....	\$213,929	\$ 13,198	\$ —	\$ —	\$ 12,548		\$239,675	
Tobacco Settlement.....	—	—	—	—	200,242		200,242	
Health Facility Bed Assessments .....	—	54,455	—	—	—		54,455	
Interest .....	19,709	—	—	2,035	2,572		24,316	
Accounts.....	20,089	—	308	620	3,404		24,421	
Environmental Legal Settlements .....	—	—	—	—	4,676		4,676	
Miscellaneous.....	14,271	4,160	—	—	—		18,431	
Other Receivables, Net-Due Within One Year.....	<u>\$267,998</u>	<u>\$ 71,813</u>	<u>\$ 308</u>	<u>\$ 2,655</u>	<u>\$223,442</u>		<u>\$566,216</u>	
Business-Type Activities								
Type of Receivable	Major Proprietary Funds						Total	
	Workers' Compen- sation	Lottery Com- mission	Unemploy- ment Compen- sation	Nonmajor Proprietary Funds				
Accounts .....	\$962,709	\$ —	\$68,088	\$ 870			\$1,031,667	
Interest and Dividends (including restricted portion) .....	2,421	2,350	—	4,940			9,711	
Leases.....	—	—	—	7,897			7,897	
Lottery Sales Agents .....	—	51,769	—	—			51,769	
Other Receivables, Gross .....	965,130	54,119	68,088	13,707			1,101,044	
Estimated Uncollectible .....	(811,499)	(222)	(59,161)	—			(870,882)	
Other Receivables, Net .....	<u>\$153,631</u>	<u>\$53,897</u>	<u>\$ 8,927</u>	<u>\$13,707</u>			<u>\$ 230,162</u>	
Current-Due Within One Year.....	\$153,631	\$53,897	\$ 8,927	\$10,463			\$ 226,918	
Noncurrent-Due in More Than One Year .....	—	—	—	3,244			3,244	
Other Receivables, Net.....	<u>\$153,631</u>	<u>\$53,897</u>	<u>\$ 8,927</u>	<u>\$13,707</u>			<u>\$ 230,162</u>	
Total Primary Government.....							<u>\$ 796,378</u>	

**Major Component Units — Other Receivables**

Type of Receivable	Ohio State University	University of Cincinnati
Accounts .....	\$769,123	\$ 27,940
Interest .....	15,127	14,733
Investment Trade Receivable (Stock Proceeds) .....	—	10,255
Pledges .....	39,156	44,222
Unbilled Charges .....	—	32,238
Other Receivables, Gross .....	823,406	129,388
Estimated Uncollectible .....	(434,727)	(8,914)
Other Receivables, Net .....	<u>\$388,679</u>	<u>\$120,474</u>
Current-Due Within One Year .....	\$374,461	\$ 81,175
Noncurrent-Due in More Than One Year .....	14,218	39,299
Other Receivables, Net .....	<u>\$388,679</u>	<u>\$120,474</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 5 RECEIVABLES (Continued)**

The "Other Receivables" balance reported in the fiduciary funds as of June 30, 2006, is comprised of interest due of approximately \$6 million, investment trade receivable of \$3.1 million, and miscellaneous receivables of \$12.9 million.

Under long-term direct financing leases with local governments for office space, the Ohio Building Authority, a blended component unit reported in the proprietary funds, charges a pro-rata share of the buildings' debt service and operating costs based on square-footage occupied.

As of June 30, 2006, future lease payments included under "Other Receivables" in business-type activities, net of executory costs, (dollars in thousands) were as follows:

Year Ending June 30,	Business-Type Activities
2007 .....	\$4,803
2008 .....	2,716
Total Minimum Lease Payments .....	7,519
Amount for interest.....	(180)
Present Value of Net Minimum Lease Payments .....	7,339
Unearned Income.....	558
Net Leases Receivable .....	<u>\$7,897</u>

**NOTE 6 PAYABLES**

**A. Accrued Liabilities**

Details on accrued liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2006, follow (dollars in thousands).

**Primary Government — Accrued Liabilities**

	Wages and Employee Benefits	Accrued Interest	Other	Total Accrued Liabilities
<b>Governmental Activities:</b>				
Major Governmental Funds:				
General.....	\$119,791	\$ —	\$ —	\$119,791
Job, Family and Other Human Services .....	15,630	—	—	15,630
Education .....	1,728	—	—	1,728
Highway Operating .....	23,095	—	—	23,095
Nonmajor Governmental Funds .....	43,233	—	22	43,255
	203,477	—	22	203,499
Reconciliation of balances in fund financial statements to government-wide financial statements due to basis differences .....	—	122,784	—	122,784
Total Governmental Activities .....	203,477	122,784	22	326,283
<b>Business-Type Activities:</b>				
Nonmajor Proprietary Funds .....	4,594	59	108	4,761
Total Primary Government.....	<u>\$208,071</u>	<u>\$122,843</u>	<u>\$ 130</u>	<u>\$331,044</u>

	Wages and Employee Benefits	Health Benefit Claims	Management and Administrative Expenses	Total Accrued Liabilities
<b>Fiduciary Activities:</b>				
State Highway Patrol Retirement System Pension Trust (12/31/05).....	\$ 151	\$ 1,266	\$ —	\$ 1,417
Variable College Savings Plan Private-Purpose Trust.....	—	—	5,857	5,857
Total Fiduciary Activities.....	<u>\$ 151</u>	<u>\$ 1,266</u>	<u>\$5,857</u>	<u>\$ 7,274</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 6 PAYABLES (Continued)**

**Major Component Units — Accrued Liabilities**

	Wages and Employee Benefits	Self- Insurance	Accrued Interest	Other	Total Accrued Liabilities
Ohio State University.....	\$123,299	\$109,747	\$4,864	\$27,814	\$265,724
University of Cincinnati.....	30,358	—	4,355	21,496	56,209

**B. Intergovernmental Payable**

The intergovernmental payable balances for the primary government, as of June 30, 2006, are comprised of the following (dollars in thousands).

**Primary Government — Intergovernmental Payable**

	Local Government					Total	
	Shared Revenue and Local Permissive Taxes	Subsidies and Other	Federal Government	Other States			
<b>Governmental Activities:</b>							
<b>Major Governmental Funds:</b>							
General.....	\$267,049	\$ 88,603	\$21,559	\$ —	\$ 377,211		
Job, Family and Other Human Services .....	—	230,590	—	—	230,590		
Education .....	—	59,936	10	—	59,946		
Highway Operating .....	—	316	—	—	316		
Revenue Distribution .....	592,439	—	—	2,932	595,371		
Nonmajor Governmental Funds .....	—	210,730	—	—	210,730		
Total Governmental Activities .....	<u>859,488</u>	<u>590,175</u>	<u>21,569</u>	<u>2,932</u>	<u>1,474,164</u>		
<b>Business-Type Activities:</b>							
<b>Major Proprietary Funds:</b>							
Unemployment Compensation .....	—	287	641	—	928		
Nonmajor Proprietary Funds .....	<u>434</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>434</u>		
Total Business-Type Activities .....	<u>434</u>	<u>287</u>	<u>641</u>	<u>—</u>	<u>1,362</u>		
Total Primary Government.....	<u>\$859,922</u>	<u>\$590,462</u>	<u>\$22,210</u>	<u>\$2,932</u>	<u>\$1,475,526</u>		
<b>Fiduciary Activities:</b>							
Holding and Distribution Agency Fund .....	\$ —	\$ —	\$ 2,839	\$3,167	\$ 6,006		
Payroll Withholding and Fringe Benefits Agency Fund .....	—	357	—	—	357		
Other Agency Fund .....	<u>96,483</u>	<u>2,775</u>	<u>—</u>	<u>—</u>	<u>99,258</u>		
Total Fiduciary Activities .....	<u>\$ 96,483</u>	<u>\$ 3,132</u>	<u>\$ 2,839</u>	<u>\$3,167</u>	<u>\$ 105,621</u>		

As of June 30, 2006, the School Facilities Commission Component Unit Fund reported an intergovernmental payable balance totaling approximately \$2.15 billion for long-term funding contracts the Commission has with local school districts. In the government-wide Statement of Net Assets, the intergovernmental payable balance for the Commission is included with "Other Noncurrent Liabilities."

The contracts commit the State to cover the costs of construction of facilities of the school districts once the districts have met certain eligibility requirements.

**C. Refund and Other Liabilities**

Refund and other liabilities for the primary government and its discretely presented major component units reporting significant balances, as of June 30, 2006, consist of the balances reported on the tables presented on the following page (dollars in thousands).



# **STATE OF OHIO**

## **NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2006

## **NOTE 6 PAYABLES (Continued)**

## **Primary Government — Refund and Other Liabilities**

	Estimated Tax Refund Claims						
	Personal Income Tax	Corporation Franchise Tax	Total Tax Refund Liabilities	Interest on Lawyers' Trust Accounts	Other	Total	
Governmental Activities:							
Major Governmental Funds:							
General.....	\$ 609,151	\$169,688	\$778,839	\$ —	\$ 9	\$ 778,848	
Job, Family and Other Human Services.....	—	—	—	14,569	1,336	15,905	
Revenue Distribution.....	64,766	5,623	70,389	—	—	70,389	
Nonmajor Governmental Funds.....	—	—	—	—	2,458	2,458	
Total Governmental Activities.....	<u>\$ 673,917</u>	<u>\$175,311</u>	<u>\$849,228</u>	<u>\$ 14,569</u>	<u>\$ 3,803</u>	<u>\$ 867,600</u>	
	Reserve for Compen- sation Adjustment	Refund and Security Deposits	Compensated Absences	Capital Leases	Other	Total	
Business-Type Activities:							
Major Proprietary Funds:							
Workers' Compensation .....	\$ 1,676,498	\$ 87,693	\$ 20,620	\$ —	\$112,844	\$ 1,897,655	
Lottery Commission.....	—	18,336	3,055	—	1,599	22,990	
Unemployment Compensation .....	—	12,666	—	—	—	12,666	
Nonmajor Proprietary Funds.....	—	2,432	10,901	12	7,528	20,873	
	<u>1,676,498</u>	<u>121,127</u>	<u>34,576</u>	<u>12</u>	<u>121,971</u>	<u>1,954,184</u>	
Reconciliation of balances included in the "Other Noncurrent Liabilities" balance in the government-wide financial statements .....	(1,676,498)	(87,693)	(34,454)	(12)	(75,944)	(1,874,601)	
Total Business-Type Activities.....	<u>\$ —</u>	<u>\$ 33,434</u>	<u>\$ 122</u>	<u>\$ —</u>	<u>\$ 46,027</u>	<u>\$ 79,583</u>	
	Total Primary Government.....						<u>\$ 947,183</u>
	Child Support Collections	Refund and Security Deposits	Payroll Withholdings	Retirement Systems' Assets	Other	Total	
Fiduciary Activities:							
State Highway Patrol Retirement System Pension Trust (12/31/05)...	\$ —	\$ —	\$ —	\$ —	\$ 47	\$ 47	
Variable College Savings Plan Private-Purpose Trust.....	—	—	—	—	4,452	4,452	
STAR Ohio Investment Trust.....	—	—	—	—	735	735	
Agency Funds:							
Holding and Distribution .....	—	10,026	—	—	—	10,026	
Centralized Child Support Collections .....	70,670	—	—	—	—	70,670	
Retirement Systems .....	—	—	—	157,171,453	—	157,171,453	
Payroll Withholding and Fringe Benefits .....	—	—	138,429	—	—	138,429	
Other .....	—	388,345	—	10,453	98,184	496,982	
Total Fiduciary Activities.....	<u>\$ 70,670</u>	<u>\$398,371</u>	<u>\$138,429</u>	<u>\$157,181,906</u>	<u>\$103,418</u>	<u>\$157,892,794</u>	

## **Major Component Units — Refund and Other Liabilities**

	Refund and Security Deposits	Compensated Absences	Capital Leases	Obligations Under Annuity Life Agreements	Other	Total
Ohio State University .....	\$ 58,209	\$ 85,054	\$ 15,107	\$ 49,473	\$ 39,999	\$ 247,842
University of Cincinnati .....	35,927	66,292	122,140	—	6,430	230,789



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS**

**A. Interfund Balances**

Interfund balances, as of June 30, 2006, consist of the following (dollars in thousands):

Due from	Due To		
	General	Nonmajor Governmental Funds	Total
<b>Governmental Activities</b>			
Major Governmental Funds:			
General .....	\$ —	\$3,054	\$ 3,054
Job, Family and Other Human Services .....	—	—	—
Education .....	—	—	—
Highway Operating.....	—	—	—
Revenue Distribution.....	—	395	395
Nonmajor Governmental Funds .....	—	349	349
<b>Total Governmental Activities .....</b>	<b>—</b>	<b>3,798</b>	<b>3,798</b>
Major Proprietary Funds:			
Lottery Commission .....	—	—	—
Nonmajor Proprietary Funds .....	2,925	—	2,925
<b>Total Business-Type Activities .....</b>	<b>2,925</b>	<b>—</b>	<b>2,925</b>
<b>Total Primary Government.....</b>	<b>\$ 2,925</b>	<b>\$3,798</b>	<b>\$ 6,723</b>
<b>Business-Type Activities</b>			
Major Proprietary Fund			
Workers' Compensation	Nonmajor Proprietary Funds	Total	Total Primary Government
Major Governmental Funds:			
General .....	\$688,792	\$9,284	\$698,076
Job, Family and Other Human Services .....	21,011	—	21,011
Education .....	2,466	—	2,466
Highway Operating.....	114,656	—	114,656
Revenue Distribution.....	—	—	395
Nonmajor Governmental Funds .....	130,805	1	130,806
<b>Total Governmental Activities .....</b>	<b>957,730</b>	<b>9,285</b>	<b>967,015</b>
Major Proprietary Funds:			
Lottery Commission .....	4,329	—	4,329
Nonmajor Proprietary Funds .....	2,633	—	2,633
<b>Total Business-Type Activities .....</b>	<b>6,962</b>	<b>—</b>	<b>6,962</b>
<b>Total Primary Government.....</b>	<b>\$964,692</b>	<b>\$9,285</b>	<b>\$973,977</b>
			<b>\$980,700</b>

Interfund balances result from the time lag between dates that 1.) interfund goods and services are provided or reimbursable expenditures/expenses occur, 2.) transactions are recorded in the accounting system, and 3.) payments between funds are made.

The State's primary government is permitted to pay its workers' compensation liability on a terminal-funding (pay-as-you-go) basis. As a result, the Workers' Compensation Enterprise Fund recognized

\$964.7 million as an interfund receivable for the unbilled premium due for the primary government's share of the Bureau's actuarially determined liability for compensation. In the Statement of Net Assets, the State includes the liability totaling \$957.7 million in the internal balance reported for governmental activities.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**B. Interfund Transfers**

Interfund transfers, for the year ended of June 30, 2006, consist of the following (dollars in thousands):

Transferred from	Transferred to							
	Governmental Activities							
	Major Governmental Funds				Nonmajor Governmental Funds			
Transferred from	General	Job, Family and Other Human Services	Education	Highway Operating	Revenue Distribution	Nonmajor Governmental Funds		Total
Major Governmental Funds:								
General .....	\$ —	\$ 68,319	\$ 10,515	\$ 85	\$ 9,253	\$ 1,060,223	\$ 1,148,395	
Job, Family and Other Human Services .....	41,854	—	1,500	—	—	5	43,359	
Education.....	31,717	—	—	—	—	100	31,817	
Highway Operating .....	703	—	—	—	135,279	158,423	294,405	
Revenue Distribution .....	90,270	—	—	513,681	—	240,925	844,876	
Nonmajor Governmental Funds.....	54,577	2,142	257	—	—	18,946	75,922	
Total Governmental Activities .....	219,121	70,461	12,272	513,766	144,532	1,478,622	2,438,774	
Major Proprietary Funds:								
Workers' Compensation .....	7,724	—	—	—	—	—	7,724	
Lottery Commission .....	472	—	646,276	—	—	—	646,748	
Unemployment Compensation .....	—	25,366	—	—	—	—	25,366	
Nonmajor Proprietary Funds.....	138,009	—	—	—	—	63,200	201,209	
Total Business-Type Activities .....	146,205	25,366	646,276	—	—	63,200	881,047	
<b>Total Primary Government</b> .....	<b>\$365,326</b>	<b>\$95,827</b>	<b>\$658,548</b>	<b>\$513,766</b>	<b>\$ 144,532</b>	<b>\$1,541,822</b>	<b>\$3,319,821</b>	
Business-Type Activities								
Major Proprietary Funds								
	Workers' Compensation	Unemployment Compensation	Nonmajor Proprietary Funds		Total	Total Primary Government		
Major Governmental Funds:								
General .....	\$ —	\$ —	\$ 53,223	\$ 53,223	\$ 1,201,618			
Job, Family and Other Human Services .....	44	9,144	—	9,188	52,547			
Education.....	—	—	—	—	31,817			
Highway Operating .....	—	—	—	—	294,405			
Revenue Distribution .....	—	—	—	—	844,876			
Nonmajor Governmental Funds.....	—	—	—	—	75,922			
Total Governmental Activities .....	44	9,144	53,223	62,411	2,501,185			
Major Proprietary Funds:								
Workers' Compensation .....	—	—	—	—	7,724			
Lottery Commission .....	—	—	—	—	646,748			
Unemployment Compensation .....	—	—	—	—	25,366			
Nonmajor Proprietary Funds.....	—	—	—	—	201,209			
Total Business-Type Activities .....	—	—	—	—	881,047			
<b>Total Primary Government</b> .....	<b>\$ 44</b>	<b>\$ 9,144</b>	<b>\$ 53,223</b>	<b>\$ 62,411</b>	<b>\$3,382,232</b>			

Transfers are used to 1.) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2.) move receipts restricted to debt service from the funds collecting the receipts to the debt

service fund as debt service payments become due, and 3.) utilize unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budget authorizations.



STATE OF OHIO  
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

**NOTE 7 INTERFUND BALANCES AND TRANSFERS  
AND SIGNIFICANT TRANSACTIONS WITH COMPONENT UNITS (Continued)**

**C. Component Units**

For fiscal year 2006, the component units reported \$2.95 billion in state assistance revenue from the primary government in the Statement of Activities.

Included in "Primary, Secondary and Other Education" expenses reported for governmental activities, is funding that the primary government provided to the School Facilities Commission for capital construction at local school districts and the eTech Ohio Commission for the acquisition of computers to benefit local schools.

Additionally, the primary government provided financial support to the colleges and universities in the form of state appropriations for instructional and non-instructional purposes and capital appropriations for construction. This assistance is included in "Higher Education Support" expenses reported for governmental activities.

Details of balances and activity reported in the government-wide financial statements between the primary government and its discretely presented component units are summarized below.

**Primary Government**  
(dollars in thousands)

	Program Expenses for State Assistance to Component Units				
	Payable to the Component Units	Primary, Secondary and Other Education Function	Higher Education Support Function	Community And Economic Development Function	Total State Assistance to the Component Units
Major Governmental Funds:					
General.....	\$14,967	\$706,434	\$1,745,614	\$30,921	\$2,482,969
Job, Family and Other Human Services.....	372	—	—	—	—
Education .....	2,735	10,598	—	—	10,598
Highway Operating.....	252	—	—	—	—
Nonmajor Governmental Funds .....	29,291	228,228	223,303	—	451,531
Total Primary Government.....	<u>\$47,617</u>	<u>\$945,260</u>	<u>\$1,968,917</u>	<u>\$30,921</u>	<u>\$2,945,098</u>

**Component Units**  
(dollars in thousands)

	Receivable from the Primary Government	Total State Assistance from the Primary Government
Major Component Units:		
School Facilities Commission.....	\$ —	\$ 911,425
Ohio State University .....	11,412	593,694
University of Cincinnati .....	1,517	210,065
Nonmajor Component Units .....	34,653	1,229,914
Variance Due to Year-End Differences (June 30 versus December 31) .....	35	—
Total Component Units.....	<u>\$47,617</u>	<u>\$2,945,098</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 8 CAPITAL ASSETS**

**A. Primary Government**

Capital asset activity, for the year ended June 30, 2006, reported for the primary government was as follows (dollars in thousands):

<b>Primary Government</b>				
	Balance July 1, 2005 (as restated)	Increases	Decreases	Balance June 30, 2006
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land .....	\$ 1,632,382	\$ 106,365	\$ (2,284)	\$ 1,736,463
Buildings .....	59,135	925	—	60,060
Land Improvements .....	930	—	—	930
Construction-in-Progress .....	1,700,690	493,177	(612,369)	1,581,498
Infrastructure:				
Highway Network:				
General Subsystem.....	8,315,025	38,917	(16,174)	8,337,768
Priority Subsystem .....	6,823,023	394,349	(20,393)	7,196,979
Bridge Network.....	2,332,077	110,522	(11,970)	2,430,629
Total Capital Assets				
Not Being Depreciated .....	20,863,262	1,144,255	(663,190)	21,344,327
Other Capital Assets:				
Buildings .....	3,239,994	121,534	(37,076)	3,324,452
Land Improvements .....	306,536	34,892	(2,922)	338,506
Machinery and Equipment .....	523,953	101,643	(32,530)	593,066
Vehicles .....	243,663	30,229	(22,341)	251,551
Infrastructure:				
Parks, Recreation and				
Natural Resources Network .....	33,332	8,980	—	42,312
Total Other Capital Assets				
at historical cost .....	4,347,478	297,278	(94,869)	4,549,887
Less Accumulated Depreciation for:				
Buildings.....	1,303,023	110,940	(25,422)	1,388,541
Land Improvements.....	137,080	18,461	(2,210)	153,331
Machinery and Equipment.....	352,425	78,227	(29,254)	401,398
Vehicles.....	113,613	21,454	(16,174)	118,893
Infrastructure:				
Parks, Recreation and				
Natural Resources Network.....	2,003	1,281	(6)	3,278
Total Accumulated Depreciation .....	1,908,144	230,363	(73,066)	2,065,441
Other Capital Assets, Net.....	2,439,334	66,915	(21,803)	2,484,446
Governmental Activities-				
Capital Assets, Net.....	<u>\$23,302,596</u>	<u>\$1,211,170</u>	<u>\$684,993</u>	<u>\$23,828,773</u>

For fiscal year 2006, the State charged depreciation expense to the following governmental functions:

<b>Governmental Activities:</b>	<b>(in 000s)</b>
Primary, Secondary and Other Education.....	\$ 1,313
Higher Education Support.....	6
Public Assistance and Medicaid.....	17,407
Health and Human Services .....	20,778
Justice and Public Protection.....	102,787
Environmental Protection and Natural Resources .....	16,358
Transportation.....	25,970
General Government .....	47,919
Community and Economic Development .....	4,094
Total Depreciation Expense for Governmental Activities.....	<u>236,632</u>
Gains (Losses) on Capital Asset Disposals Included in Depreciation .....	<u>(6,269)</u>
Fiscal Year 2006 Increases to Accumulated Depreciation .....	<u>\$230,363</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 8 CAPITAL ASSETS (Continued)**

As of June 30, 2006, the State considered the following governmental capital asset balances as being temporarily or permanently impaired and removed from service.

<i>Governmental Activities:</i>	<i>(in 000s)</i>
Temporarily Impaired Assets Removed from Service:	
Buildings .....	\$13,198
Land Improvements .....	225
Total .....	<u>\$13,423</u>
Permanently Impaired Assets Removed from Service:	
Buildings .....	\$ 6,072
Land Improvements .....	429
Total .....	<u>\$ 6,501</u>

<b>Primary Government (Continued)</b>				
	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Land.....	\$ 11,994	\$ —	\$ —	\$ 11,994
Construction-in-Progress .....	71	707	—	778
Total Capital Assets Not Being Depreciated.....	12,065	707	—	12,772
Other Capital Assets:				
Buildings .....	222,038	116	—	222,154
Land Improvements .....	66	—	—	66
Machinery and Equipment .....	145,176	6,910	(9,216)	142,870
Vehicles .....	4,287	1,218	(876)	4,629
Total Other Capital Assets at historical cost .....	371,567	8,244	(10,092)	369,719
Less Accumulated Depreciation for:				
Buildings .....	108,207	7,340	—	115,547
Land Improvements .....	50	1	—	51
Machinery and Equipment .....	117,844	18,037	(8,820)	127,061
Vehicles .....	2,356	949	(756)	2,549
Total Accumulated Depreciation .....	228,457	26,327	(9,576)	245,208
Other Capital Assets, Net .....	143,110	(18,083)	(516)	124,511
Business-Type Activities- Capital Assets, Net .....	<u>\$155,175</u>	<u>\$(17,376)</u>	<u>\$(516)</u>	<u>\$137,283</u>

For fiscal year 2006, the State charged depreciation expense to the following business-type functions:

<i>Business-Type Activities:</i>	<i>(in 000s)</i>
Workers' Compensation.....	\$ 8,758
Lottery Commission .....	14,596
Tuition Trust Authority .....	10
Liquor Control .....	796
Underground Parking Garage .....	567
Office of Auditor of State .....	<u>1,468</u>
Total Depreciation Expense for Business-Type Activities.....	26,195
Gains (Losses) on Capital Asset Disposals Included in Depreciation .....	<u>132</u>
Fiscal Year 2006 Increases to Accumulated Depreciation .....	<u>\$26,327</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 8 CAPITAL ASSETS (Continued)**

**B. Major Component Units**

Capital asset activity, for the year ended June 30, 2006, reported for discretely presented major component unit funds with significant capital asset balances was as follows (dollars in thousands):

<b>Major Component Units</b>				
	<b>Balance July 1, 2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2006</b>
<b>Ohio State University:</b>				
Capital Assets Not Being Depreciated:				
Land.....	\$ 44,016	\$ 8,962	\$ (435)	\$ 52,543
Construction-in-Progress .....	370,753	62,604	—	433,357
Total Capital Assets Not Being Depreciated.....	414,769	71,566	(435)	485,900
Other Capital Assets:				
Buildings .....	2,670,413	225,815	(18,554)	2,877,674
Land Improvements .....	217,841	23,421	(53)	241,209
Machinery, Equipment and Vehicles.....	748,383	98,029	(39,651)	806,761
Library Books and Publications.....	161,043	3,857	(1,976)	162,924
Total Other Capital Assets at historical cost .....	3,797,680	351,122	(60,234)	4,088,568
Less Accumulated Depreciation for:				
Buildings .....	998,354	98,892	(14,605)	1,082,641
Land Improvements .....	118,894	10,116	(54)	128,956
Machinery, Equipment and Vehicles...	488,941	77,058	(40,209)	525,790
Library Books and Publications.....	137,484	5,925	(1,976)	141,433
Total Accumulated Depreciation.....	1,743,673	191,991	(56,844)	1,878,820
Other Capital Assets, Net .....	2,054,007	159,131	(3,390)	2,209,748
Total Capital Assets, Net .....	<b>\$2,468,776</b>	<b>\$230,697</b>	<b>\$(3,825)</b>	<b>\$2,695,648</b>
<b>University of Cincinnati:</b>				
Capital Assets Not Being Depreciated:				
Land.....	\$ 21,305	\$ 618	\$ —	\$ 21,923
Construction-in-Progress .....	295,625	158,037	(312,367)	141,295
Collections of Works of Art and Historical Treasures .....	4,469	30	(143)	4,356
Total Capital Assets Not Being Depreciated.....	321,399	158,685	(312,510)	167,574
Other Capital Assets:				
Buildings .....	1,314,398	217,888	—	1,532,286
Land Improvements .....	34,752	43,262	—	78,014
Machinery, Equipment and Vehicles.....	154,029	37,621	—	191,650
Library Books and Publications.....	133,718	9,087	(11,121)	131,684
Infrastructure.....	78,399	11,269	—	89,668
Total Other Capital Assets at historical cost .....	1,715,296	319,127	(11,121)	2,023,302
Less Accumulated Depreciation for:				
Buildings .....	469,603	51,963	(3,879)	517,687
Land Improvements .....	8,040	2,733	—	10,773
Machinery, Equipment and Vehicles...	101,105	14,532	(5,212)	110,425
Library Books and Publications.....	85,656	6,842	(6,258)	86,240
Infrastructure.....	41,454	3,296	—	44,750
Total Accumulated Depreciation.....	705,858	79,366	(15,349)	769,875
Other Capital Assets, Net .....	1,009,438	239,761	4,228	1,253,427
Total Capital Assets, Net .....	<b>\$1,330,837</b>	<b>\$398,446</b>	<b>\$(308,282)</b>	<b>\$1,421,001</b>

For fiscal year 2006, Ohio State University and the University of Cincinnati reported approximately \$192 million and \$79.4 million in depreciation expense, respectively.



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

All part-time and full-time employees and elected officials of the State, including its component units, are eligible to be covered by one of the following retirement plans:

- Ohio Public Employees Retirement System
- State Teachers Retirement System of Ohio
- State Highway Patrol Retirement System
- Alternative Retirement Plan

#### A. Ohio Public Employees Retirement System (OPERS)

##### Pension Benefits

OPERS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans — a defined benefit plan, a defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

As established under Chapter 145, Ohio Revised Code, OPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries enrolled in the defined benefit and combined plans.

Most employees who are members of OPERS and who have fewer than five years of total service credit as of December 31, 2002, and new employees hired on or after January 1, 2003, are eligible to select one of the OPERS retirement plans, as listed above, in which they wish to participate. Members not eligible to select a plan include law enforcement officers (who must participate in the defined benefit plan), college and university employees who choose to participate in one of their university's alternative retirement plans (see NOTE 9D.), and re-employed OPERS retirees. Participants may change their selection once prior to attaining five years of service credit, once after attaining five years of service credit and prior to attaining ten years of service credit, and once after attaining ten years of service credit.

Regular employees who participate in the defined benefit plan or the combined plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Regular employees retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Law enforcement employees may retire at age 48 with 25 or more years of credited service.

The retirement allowance for the defined benefit plan is based on years of credited service and the final average salary, which is the average of the mem-

ber's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by 2.2 percent for each year of Ohio contributing service up to 30 years and by 2.5 percent for all other years in excess of 30 years of credited service. The annual allowance for law enforcement employees is determined by multiplying the final average salary by 2.5 percent for the first 25 years of Ohio contributing service, and by 2.1 percent for each year of service over 25 years. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

The retirement allowance for the defined benefit portion of the combined plan is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance for regular employees is determined by multiplying the final average salary by one percent for each year of Ohio contributing service up to 30 years and by 1.25 percent for all other years in excess of 30 years of credited service. Retirement benefits for the defined benefit portion of the plan increase three percent annually regardless of changes in the Consumer Price Index. Additionally, retirees receive the proceeds of their individual retirement plans in a manner similar to retirees in the defined contribution plan, as discussed below.

Regular employees who participate in the defined contribution plan may retire after they reach the age of 55. The retirement allowance for the defined contribution plan is based entirely on the total member and vested employer contributions to the plan, plus or minus any investment gains or losses. Employer contributions vest at a rate of 20 percent per year over a five-year vesting period. Retirees may choose from various payment options including monthly annuities, partial lump-sum payments, payments for a guaranteed period, or various combinations of these options. Participants direct the investment of their accounts by selecting from nine professionally managed investment options.

Retirees covered under any one of the three OPERS plan options may also choose to take part of their retirement benefit in a Partial Lump-Sum Option Plan (PLOP). Under this option, the amount of the monthly pension benefit paid to the retiree is actuarially reduced to offset the amount received initially under the PLOP. The amount payable under the PLOP is limited to a minimum of six months and maximum of 36 months worth of the original unreduced monthly pension benefit, and is capped at no more than 50 percent of the retirement benefit amount.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Employer and employee required contributions to OPERS are established under the Ohio Revised Code and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuaries. Contribution rates for fiscal year 2006, which are the same for the defined benefit, defined contribution, and combined plans, were as follows:

<u>Contribution Rates</u>		
	Employee Share	Employer Share

Regular Employees:

July 1, 2005 through December 31, 2005	8.50%	13.31%
January 1, 2006 through June 30, 2006	9.00%	13.54%

Law Enforcement Employees:

July 1, 2005 through December 31, 2005	10.10%	16.70%
January 1, 2006 through June 30, 2006	10.10%	16.93%

The employer rate for regular employees is scheduled to increase to 13.77 percent and 14 percent, respectively, beginning January 1, 2007, and January 1, 2008. The employer rate for law enforcement employees is scheduled to increase to 17.17 percent, beginning January 1, 2007, and thereafter annually, until reaching 18.1 percent on January 1, 2011. The employee rate for regular employees is scheduled to increase to 9.5 percent beginning January 1, 2007, and to ten percent beginning January 1, 2008.

In the combined plan, the employer's share finances the defined benefit portion of the plan, while the employee's share finances the defined contribution portion of the plan. In the defined contribution plan, both the employee and employer share of the costs are used to finance the plan.

Employer contributions required and made for the last three years for the defined benefit plan and the defined benefit part of the combined plan follow (dollars in thousands):

	2006	2005	2004
<i>Primary Government:</i>			
Regular Employees ....	\$253,259	\$248,032	\$235,634
Law Enforcement			
Employees .....	3,988	3,946	3,763
Total .....	<u>\$257,247</u>	<u>\$251,978</u>	<u>\$239,397</u>

*Major Component Units:*

School Facilities			
Commission .....	\$ 297	\$ 283	\$ 346
Ohio Water			
Development Authority	82	83	83
Ohio State University ....	62,108	63,044	54,280
University of Cincinnati...	13,285	14,070	12,596

Employer and employee contributions required and made for the last three fiscal years for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

	2006	2005	2004
<i>Primary Government:</i>			
Employer Contributions	\$2,598	\$2,054	\$1,593
Employee Contributions	5,828	4,375	3,322
<i>Major Component Units:</i>			
Ohio State University:			
Employer Contributions	1,185	1,002	720
Employee Contributions	2,494	2,032	1,437
University of Cincinnati:			
Employer Contributions	236	200	150
Employee Contributions	460	403	291

OPERS issues a stand-alone financial report, copies of which may be obtained by making a written request to: Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6701 or 1-800-222-7377.

**Other Postemployment Benefits**

Members of the defined contribution plan may access a Retiree Medical Account upon retirement. During fiscal year 2006, employers paid 4.81 percent of their share into members' accounts for the period covering July 1, 2005 through December 31, 2005, and 4.5 percent for the period covering January 1, 2006 through June 30, 2006. An employee's interest in the medical account for qualifying healthcare expenses vests on the basis of length of service, with 100 percent vesting attained after 10 years of service credit. Employers make no further contributions to a member's medical account after retirement, nor do employers have any further obligation to provide postemployment healthcare benefits.

Employer contributions, for the fiscal year ended June 30, 2006, were as follows (dollars in thousands):

	2006
<i>Primary Government.....</i>	\$1,423
<i>Major Component Units:</i>	
Ohio State University .....	629
University of Cincinnati .....	125

All age and service retirees who are members of the defined benefit or combined plans with 10 or more years of service credit qualify for healthcare coverage under OPERS. Members hired after January 1, 2003 with no prior service credit vest according to length of service. Members with 10 years of service credit have a 25-percent vested interest. Vested interest increases with service credit until members



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

attain a 100 percent vested interest after reaching 30 years of service credit. Members hired after January 1, 2003 can also choose various coverage options.

Healthcare coverage for disability recipients and primary survivor recipients is also available to members of the defined benefit and combined plans. Chapter 145, Ohio Revised Code, provides the statutory authority for employer contributions. For law enforcement and regular employees, the portion of the employer rate used to fund healthcare was four percent of covered payroll for the period, July 1, 2005 through December 31, 2006, and 4.5 percent for the period, January 1, 2006 through June 30, 2006. Employees do not fund any portion of healthcare costs.

Benefits in the defined benefit and combined plans are advance-funded using the entry-age, normal actuarial cost method of valuation. Significant actuarial assumptions, based on the latest actuarial review performed as of December 31, 2005 (the latest information available), include a rate of return on investments of 6.5 percent, an annual increase in total payroll for active employees of four percent compounded annually for inflation (assuming no change in the number of active employees), and an additional increase in total payroll of between .5 percent and 6.3 percent based on additional annual pay increases. Healthcare costs were assumed to increase between 4.5 percent and ten percent annually for the next nine years, and at an annual rate of four percent thereafter.

Net assets available for payment of benefits at December 31, 2005 were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively. All investments are carried at market value.

For the actuarial valuation of net assets available for future healthcare benefits, OPERS applies the smoothed market approach. Under this approach, assets are adjusted annually to reflect 25 percent of unrealized market appreciation or depreciation on investments.

For fiscal year 2006, the State's actuarially required and actual contributions for the defined benefit plan and the defined benefit portion of the combined plan were as follows (dollars in thousands):

	<u>2006</u>
<i>Primary Government:</i>	
Regular Employees.....	\$117,294
Law Enforcement Employees.....	1,349
Total.....	<u>\$118,643</u>

*Major Component Units:*

School Facilities Commission .....	\$ 137
Ohio Water Development Authority.....	38
Ohio State University .....	28,752
University of Cincinnati .....	6,151

The number of active contributing participants for the primary government was 58,073, as of June 30, 2006.

**Early Retirement Incentives**

State agencies, or departments within agencies, may offer voluntary early retirement incentives (ERI) under Section 145.297, Ohio Revised Code. Through the ERI Program, the State can offer to purchase up to a maximum of five years worth of service credit from OPERS on behalf of employees who would then meet the age and service requirements to qualify for retirement. Qualifying employees have a minimum of one year to decide whether to accept the offer.

State agencies are also required under Section 145.298, Ohio Revised Code, to offer a generally similar ERI when terminating a number of employees that equals or exceeds the lesser of 50 employees or ten percent of the agency's workforce, as a result of a closure of the agency or a lay-off within a six-month period. Under these circumstances, qualifying employees must decide whether to accept the offer in the time between the announcement of the layoffs and their effective date, and the amount of service credit offered must be at least three years and not more than five years.

The ERI agreements establish an obligation to pay specific amounts on fixed dates. State agencies that implement an ERI must pay their obligation to OPERS within a maximum of two years after the agreement is finalized, so the State does not discount the amount of the liability incurred under the agreement.

As of June 30, 2006, the State had no significant liability balances relative to existing ERI agreements with state employees covered by OPERS. During fiscal year 2006, the State incurred expenditures/expenses totaling \$21.1 million for 613 employees who entered into ERI agreements with the State.

**B. State Teachers Retirement System of Ohio (STRS)**

**Pension Benefits**

STRS is a cost-sharing, multiple-employer public employee retirement system that administers three separate pension plans — a defined benefit plan, a



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (*Continued*)

defined contribution plan, and a combined plan with features of both the defined benefit plan and the defined contribution plan.

Participants in the defined benefit plan may retire after 30 years of credited service regardless of age, or at or after age 55 with 25 years of credited service, or at or after age 60 with five years of credited service. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit amounts. Retirees are entitled to a maximum annual retirement benefit, payable in monthly installments for life, equal to the greater of the "formula benefit" calculation, the "money-purchase benefit" calculation, or the "partial lump-sum option plan."

Under the "formula benefit" calculation, the retirement allowance is based on years of credited service and the final average salary, which is the average of the member's three highest salary years. The annual allowance is determined by multiplying the final average salary by 2.5 percent for each year of Ohio contributing service in excess of 30 years and by 2.2 percent for all other years of credited service up to a maximum annual allowance of 100 percent of final average salary. Each year over 30 years is increased incrementally by .1 percent starting at 2.5 percent for the 31<sup>st</sup> year of Ohio service. For teachers with 35 or more years of earned service, the annual allowance is determined by multiplying the final average salary by 2.5 percent for the first 31 years of service, and each year over 30 years is increased incrementally by .1 percent starting at 2.6 percent for the 32<sup>nd</sup> year of Ohio service.

Under the "money-purchase benefit" calculation, a member's lifetime contributions, plus interest at specified rates, are matched by an equal amount from contributed employer funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Retirement benefits increase three percent annually regardless of changes in the Consumer Price Index.

Retirees can also choose a "partial lump-sum" option plan. Under this option, retirees may take a lump-sum payment that equals from six to 36 times their monthly service retirement benefit. Subsequent monthly benefits are reduced proportionally.

Employees hired after July 1, 2001, and those with less than five years of service credit at that date, may choose to participate in the combined plan or the defined contribution plan, in lieu of participation in the defined benefit plan. Participants in the defined contribution plan are eligible to retire at age 50.

Employee and employer contributions are placed into individual member accounts, and members direct the investment of their accounts by selecting from various professionally managed investment options. Retirees may choose to receive either a lump-sum distribution or a monthly annuity for life. Employer contributions become vested after one year of service, while employee contributions vest immediately.

Participants in the combined plan may start to collect the defined benefit portion of the plan at age 60. The annual allowance is determined by multiplying the final average salary by one percent for each year of Ohio contributing service credit. Participants in the combined plan may also participate in the partial lump-sum option plan, as described previously, for the portion of their retirement benefit that is provided through the defined benefit portion of the plan. The defined contribution portion of the plan may be taken as a lump sum or as a lifetime monthly annuity at age 50.

A retiree of STRS or any other Ohio public retirement system is eligible for re-employment as a teacher after two months from the date of retirement. Members and the employer make contributions during the period of re-employment. Upon termination or the retiree reaches the age of 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Alternatively, the retiree may receive a refund of member contributions with interest before age 65, once employment is terminated.

STRS also provides death, survivors', disability, healthcare, and supplemental benefits to members in the defined benefit and combined plans. STRS benefits are established under Chapter 3307, Ohio Revised Code.

Employer and employee required contributions to STRS are established by the Board and limited under the Ohio Revised Code to employer and employee rates of 14 percent and ten percent, respectively, and are based on percentages of covered employees' gross salaries, which are calculated annually by the retirement system's actuary.

Contribution rates for fiscal year 2006 were 14 percent for employers and ten percent for employees for the defined benefit, defined contribution, and combined plans. For the defined benefit and combined plans, 13 percent of the employer rate is used to fund pension obligations. The difference between the total employer rate and the share used to fund



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

pension obligations is the percentage used to fund the STRS healthcare program. For the defined contribution plan, 10.5 percent of the employer's share is deposited into individual employee accounts, while 3.5 percent is paid to the defined benefit plan.

Employer contributions required and made for the last three years for the defined benefit and the defined benefit portion of the combined plans follow (dollars in thousands):

	2006	2005	2004
<i>Primary Government</i>	\$ 7,162	\$ 6,893	\$ 6,966
<i>Major Component Units:</i>			
Ohio State University			
Employer Contributions	34,038	33,075	31,995
Employee Contributions	14,188	13,551	13,043

Employer and employee contributions required and made for the last three fiscal years for the defined contribution plan and the defined contribution part of the combined plan follow (dollars in thousands):

	2006	2005	2004
<i>Primary Government:</i>			
Employer Contributions	\$ 101	\$ 129	\$111
Employee Contributions	166	184	161
<i>Major Component Units:</i>			
Ohio State University:			
Employer Contributions	1,438	1,018	634
Employee Contributions	1,719	1,283	819
University of Cincinnati:			
Employer Contributions	789	651	480
Employee Contributions	970	770	547

STRS issues a stand-alone financial report, copies of which may be obtained by making a written request to: State Teachers Retirement System of Ohio, Attention: Chief Financial Officer, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling 1-888-227-7877.

**Other Postemployment Benefits**

The STRS plan provides comprehensive healthcare benefits to retirees and their dependents that are enrolled in the defined benefit and combined plans.

Retirees are required to make healthcare premium payments at amounts that vary according to each retiree's years of credited service and choice of healthcare provider. Retirees must pay additional premiums for covered spouses and dependents. Chapter 3307, Ohio Revised Code, gives the STRS board discretionary authority over how much, if any, of associated healthcare costs are absorbed by the plan. Currently, employer contributions equal to one percent of covered payroll are allocated to pay for

healthcare benefits. Retirees enrolled in the defined contribution plan receive no postemployment healthcare benefits.

The employer contribution is financed on a pay-as-you-go basis. As of June 30, 2005 (the most recent information available), net assets available for future healthcare benefits were \$3.3 billion. Net healthcare costs paid by the primary government and its discretely presented major component units, for the year ended June 30, 2006, were as follows (dollars in thousands):

	2006
<i>Primary Government</i> .....	\$ 551
<i>Major Component Units:</i>	
Ohio State University .....	
Employer Contributions	2,618
Employee Contributions	1,091

The number of eligible benefit recipients for STRS as a whole was 152,576, as of June 30, 2005; a breakout of the number of eligible recipients for the primary government and its component units, as of June 30, 2006, is unavailable.

**C. State Highway Patrol Retirement System (SHPRS)**

**Pension Benefits**

SHPRS, a component unit of the State, was established in 1941 by the General Assembly as a single-employer, defined benefit pension plan and is administered by the State.

The plan issues a stand-alone financial report that includes financial statements and required supplementary information, and the State reports the plan as a pension trust fund. Copies of the financial report may be obtained by writing to the Ohio State Highway Patrol Retirement System, 6161 Busch Blvd., Suite 119, Columbus, Ohio 43229, or by calling (614) 431-0781.

SHPRS is authorized under Chapter 5505, Ohio Revised Code, to provide retirement and disability benefits to retired members and survivor benefits to qualified dependents of deceased members of the Ohio State Highway Patrol. Chapter 5505, Ohio Revised Code, also requires contributions by active members and the Ohio State Highway Patrol. The employee contribution rate is established by the General Assembly, and any change in the rate requires legislative action. The SHPRS Retirement Board establishes and certifies the employer contribution rate to the State of Ohio every two years. By law, the employer rate may not exceed three times the employee contribution rate nor be less than the employee's contribution rate.



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (*Continued*)

The employer and employee contribution rates, as of December 31, 2005, were 25.5 percent and ten percent, respectively. Effective July 1, 2005, the employer rate increased from 24.5 percent to 25 percent.

During calendar year 2005, all of the employees' contributions funded pension benefits while 21 percent of the employer's contributions funded pension benefits from January 1, 2005 through June 30, 2005 and 22 percent from July 1, 2005 through December 31, 2005. The difference in the total employer rates charged and the employer rates applicable to the funding of pension benefits is applied to the funding of postemployment healthcare benefits.

SHPRS' financial statements are prepared using the accrual basis of accounting, under which expenses are recorded when the liability is incurred and revenues are recorded when they are earned and become measurable.

All investments are reported at fair value. Fair value is, "the amount that the plan can reasonably expect to receive for an investment in a current sale, between a willing buyer and a willing seller – that is, other than in a forced or liquidation sale." Short-term investments are reported at cost, which approximates fair value.

Securities traded on a national exchange are valued at the last reported sales price at the current exchange rate. The fair value of real estate investments is based on independent appraisals. For actuarial purposes, assets are valued with a method that amortizes the differences between actual and assumed return over a closed, four-year period.

The employer's annual pension costs for the last three calendar years were as follows (dollars in thousands):

For the Year Ended December 31,	Primary Government	Percentage of Employer's Annual Pension Cost Contributed
2005	\$18,048	100%
2004	17,870	100%
2003	16,307	100%

SHPRS used the entry-age, normal actuarial cost method for the Schedule of Funding Progress for the actuarial valuation, dated December 31, 2005. Assumptions used in preparing the Schedule of Funding Progress and in determining the annual required contribution include: an eight-percent rate of return on investments; projected salary increase of four percent attributable to inflation and additional pro-

jected salary increases ranging from .3 percent to ten percent a year attributable to seniority and merit; price inflation was assumed to be at least four percent a year; and postretirement increases each year equal to three percent after the retiree reaches age 53.

The unfunded actuarial accrued liability is being amortized using the level-percentage of projected payroll method over a closed period of 35 years.

The Schedule of Funding Progress for the last three years is presented in the table at the top of the following page. Amounts reported do not include assets or liabilities for postemployment healthcare benefits.

#### Other Postemployment Benefits

In addition to providing pension benefits, SHPRS pays health insurance claims on behalf of all persons receiving a monthly pension or survivor benefit and Medicare Part B basic premiums for those eligible benefit recipients upon proof of coverage. The number of active contributing plan participants, as of December 31, 2005, was 1,573. The cost of retiree healthcare benefits is recognized as claims are incurred and premiums are paid. The calendar year 2005 expense was \$9.9 million.

Healthcare benefits are established in Chapter 5505, Ohio Revised Code, and are advance funded by the employer on the same actuarially determined basis (using the same assumptions) as are the SHPRS pension benefits, as previously discussed. In addition, the assumption that projected healthcare costs would increase at a rate of four percent, compounded annually, due to inflation, was also used in the valuation. Net assets available for benefits allocated to healthcare costs at December 31, 2005 were \$95.9 million, and included investments carried at fair value, as previously described.

As of December 31, 2005, the unfunded actuarial accrued liability for healthcare benefits, the portion of the present value of plan promises to pay benefits in the future that are not covered by future normal cost contributions, was \$185.2 million; the actuarial accrued liability for healthcare benefits at that date was \$281.1 million.

Employer contributions are made in accordance with actuarially determined requirements. For calendar year 2005, the employer contribution requirement was approximately \$2.9 million or 3.5 percent of active member payroll.



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**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 9 PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**SHPRS Schedule of Funding Progress Last Three Calendar Years**  
(dollars in thousands)

(A) Valuation Year	(B) Actuarial Accrued Liability (AAL)	(C) Valuation Assets	(D) Unfunded Actuarial Accrued Liability (UAAL) (B) – (C)	(E) Ratio of Assets to AAL (C)/(B)	(F) Active Member Payroll	(G) UAAL as Percentage of Active Member Payroll (D)/(F)
2005 (b)	\$773,856	\$591,922	\$181,934	76.5%	\$83,408	218.1%
2005	766,741	591,922	174,819	77.2	83,408	209.6
2004 (a)	734,464	569,858	164,606	77.6	81,758	201.3
2004	737,867	569,858	168,009	77.2	81,758	205.5
2003	702,799	545,982	156,817	77.7	81,738	191.9

(a) Plan Amendment

(b) Assumption or method change

**D. Alternative Retirement Plan (ARP)**

**Pension Benefits**

The ARP is a defined contribution retirement plan that is authorized under Section 3305.02, Ohio Revised Code. The ARP provides at least three or more alternative retirement plans for academic and administrative employees of Ohio's institutions of higher education, who otherwise would be covered by STRS or OPERS. Classified civil service employees hired on or after August 1, 2005 are also eligible to participate in the ARP.

The Board of Trustees of each public institution of higher education enters into contracts with each approved retirement plan provider. Once established, full-time faculty and unclassified employees who are hired subsequent to the establishment of the ARP, or who had less than five years of service credit under the existing retirement plans, may choose to enroll in the ARP. The choice is irrevocable for as long as the employee remains continuously employed in a position for which the ARP is available. For those employees that choose to join the ARP, any prior employee contributions that had been made to STRS or OPERS would be transferred to the ARP. The Ohio Department of Insurance has designated the companies that are eligible to serve as plan providers for the ARP.

Ohio law requires that employee contributions be made to the ARP in an amount equal to those that would otherwise have been required by the retirement system that applies to the employee's position. Employees may also voluntarily make additional contributions to the ARP.

Ohio law also requires each public institution of higher education to contribute 3.5 percent of a participating employee's gross salary, for the year ended June 30, 2006, to STRS in cases when the

employee would have otherwise been enrolled in STRS.

For the year ended June 30, 2006, employers were not required to contribute to the ARP on behalf of employees that would otherwise have been enrolled in OPERS.

The employer contribution amount is subject to actuarial review every third year to determine if the rate needs to be adjusted to mitigate any negative financial impact that the loss of contributions may have on STRS and OPERS. The Board of Trustees of each public institution of higher education may also make additional payments to the ARP based on the gross salaries of employees multiplied by a percentage the respective Board of Trustees approves.

The ARP provides full and immediate vesting of all contributions made on behalf of participants. The contributions are directed to one of the investment management companies as chosen by the participants. The ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits, or death benefits. Benefits are entirely dependent on the sum of the contributions and related investment income generated by each participant's choice of investment options.

For the State's discretely presented major component units, employer and employee contributions required and made for the year ended June 30, 2006, for the ARP follow (dollars in thousands):

	2006	
Major Component Units:	OPERS	STRS
Ohio State University:		
Employer Contributions .....	\$17,899	\$12,151
Employee Contributions .....	11,666	11,572
University of Cincinnati:		
Employer Contributions .....	6,062	5,249
Employee Contributions .....	4,420	4,999



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 10 GENERAL OBLIGATION BONDS

At various times since 1921, Ohio voters, by 18 constitutional amendments (the last adopted in November 2005 for local government infrastructure improvements, high-tech business research and development support, and business site development enhancements), have authorized the incurrence of general obligation debt for the construction and improvement of common school and higher education facilities, highways, local infrastructure improvements, research and development of coal technology, natural resources, research and development support for high-tech business, and business site development. In practice, general obligation bonds are retired over periods of 10 to 25 years.

A 1999 constitutional amendment provided for the issuance of Common Schools Capital Facilities Bonds and Higher Education Capital Facilities Bonds. As of June 30, 2006, the General Assembly had authorized the issuance of \$3.62 billion in Common Schools Capital Facilities Bonds, of which \$2.79 billion had been issued. As of June 30, 2006, the General Assembly had also authorized the issuance of \$2.38 billion in Higher Education Capital Facilities Bonds, of which \$1.85 billion had been issued.

Through approval of the November 1995 amendment, voters authorized the issuance of Highway Capital Improvements Bonds in amounts up to \$220 million in any fiscal year (plus any prior fiscal years' principal amounts not issued under the new authorization), with no more than \$1.2 billion outstanding at any time. As of June 30, 2006, the General Assembly had authorized the issuance of approximately \$2.13 billion in Highway Capital Improvements Bonds, of which \$1.62 billion had been issued.

Constitutional amendments in 1995 and 2005 allowed for the issuance of \$2.55 billion of general obligation bonds for infrastructure improvements (Infrastructure Bonds). Issuances are limited to \$120 million in any fiscal year through fiscal year 2013, with an increase in the annual issuance amount to \$150 million for fiscal years 2014 through 2018. As of June 30, 2006, the General Assembly had authorized \$2.4 billion of these bonds to be sold (excluding any amounts for unaccrued discount on capital appreciation bonds at issuance), of which \$2.16 billion had been issued (net of \$214 million in unaccrued discounts at issuance).

Coal Research and Development Bonds and Parks, Recreation, and Natural Resources Bonds may be issued as long as the outstanding principal amounts do not exceed \$100 and \$200 million, respectively. As of June 30, 2006, the General Assembly had au-

thorized the issuance of \$165 million in Coal Research and Development Bonds, of which \$150 million had been issued.

Legislative authorizations for the issuance of Natural Resources Capital Facilities Bonds totaled \$306 million, as of June 30, 2006, of which \$265 million had been issued.

The State may issue Conservation Projects Bonds up to \$200 million. No more than \$50 million may be issued during a fiscal year. As of June 30, 2006, the General Assembly had authorized the issuance of approximately \$200 million in Conservation Projects Bonds of which \$150 million had been issued.

Through approval of the November 2005 amendment, voters authorized the issuance of \$500 million of Third Frontier Research and Development Bonds. Not more than \$100 million may be issued in each of the first three years and not more than \$50 million may be issued in any of the subsequent fiscal years. As of June 30, 2006, the General Assembly had authorized the issuance of \$200 million in Third Frontier Research and Development Bonds. No bonds had been issued as of June 30, 2006.

The issuance of \$150 million of Site Development Bonds was also authorized through the approval of the November 2005 amendment. Not more than \$30 million may be issued in each of the first three years and not more than \$15 million may be issued in any of the subsequent fiscal years. The General Assembly had authorized the issuance of \$60 million in Site Development Bonds as of June 30, 2006, although no bonds had been issued as of that date.

General obligation bonds outstanding and future general obligation debt service requirements, as of June 30, 2006, are presented in the table on the following page.

For the year ended June 30, 2006, NOTE 15 summarizes changes in general obligation bonds.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

**Primary Government-Governmental Activities  
Summary of General Obligation Bonds  
and Future Funding Requirements  
As of June 30, 2006**  
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
Common Schools Capital Facilities .....	2000-06	3.2%-5.4%	2026	\$2,596,788	\$ 825,000
Higher Education Capital Facilities .....	2000-06	3.6%-5.4%	2026	1,658,712	531,000
Highway Capital Improvements .....	1997-06	2.9%-5.0%	2015	859,762	515,000
Infrastructure Improvements .....	1990-06	3.3%-6.6%	2026	1,442,738	240,014
Coal Research and Development .....	2000-04	2.4%-5.0%	2013	36,085	15,000
Natural Resources Capital Facilities .....	1997-05	3.0%-5.2%	2020	161,221	41,000
Conservation Projects .....	2002-06	3.6%-4.3%	2020	138,215	50,000
Total General Obligation Bonds .....				<u>\$6,893,521</u>	<u>\$2,217,014</u>

**Future Funding of Current Interest and Capital Appreciation Bonds:**

Year Ending June 30,	Principal	Interest	Interest	Total
			Rate Swaps, Net	
2007 .....	\$ 464,970	\$ 274,482	\$ 293	\$ 739,745
2008 .....	460,375	253,009	222	713,606
2009 .....	451,215	233,959	150	685,324
2010 .....	441,760	214,382	76	656,218
2011 .....	416,605	194,805	—	611,410
2012-2016 .....	1,785,465	708,779	—	2,494,244
2017-2021 .....	1,292,305	349,805	—	1,642,110
2022-2026 .....	701,030	68,390	—	769,420
Total Current Interest and Capital Appreciation Bonds .....	<u>\$6,013,725</u>	<u>\$2,297,611</u>	<u>\$ 741</u>	<u>\$8,312,077</u>

**Future Funding of Variable-Rate Bonds:**

Year Ending June 30,	Principal	Interest	Interest	Total
			Rate Swaps, Net	
2007 .....	\$ 16,830	\$ 28,450	\$(1,148)	\$ 44,132
2008 .....	17,015	28,293	(1,587)	43,721
2009 .....	17,235	28,124	(1,431)	43,928
2010 .....	19,345	27,390	(871)	45,864
2011 .....	21,125	26,620	(295)	47,450
2012-2016 .....	187,705	117,704	(1,035)	304,374
2017-2021 .....	283,155	65,733	(1,064)	347,824
2022-2026 .....	179,855	17,192	(851)	196,196
Total Variable-Rate Bonds .....	<u>\$ 742,265</u>	<u>\$ 339,506</u>	<u>\$(8,282)</u>	<u>\$1,073,489</u>
Total General Obligation Bonds .....	6,755,990			
Unamortized Premium/ (Discount), Net .....	197,857			
Deferred Refunding Loss .....	(60,326)			
Total Carrying Amount .....	<u>\$6,893,521</u>			

For the variable-rate bonds, using the assumption that current interest rates remain the same over their term, the above interest and net swap payment amounts are based on rates, as of June 30, 2006. As rates vary, variable-rate bond interest payments and net swap payments vary.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 10 GENERAL OBLIGATION BONDS (Continued)**

**Interest Rate Swaps**

As of June 30, 2006, approximately \$762.8 million of issued Infrastructure Improvement Bonds and Common Schools Bonds include associated interest-rate swaps. Terms of the swap agreements are provided below. Fair value has been determined using the zero-coupon method.

Primary Government-Governmental Activities Interest Rate Swaps As of June 30, 2006 (dollars in thousands)								
Issue	Type of Swap	Original Notional Amount	Underlying Index	Counterparty's Swap Rate at 06/30/06	State's Swap Rate at 06/30/06	Effective Date	Termination (Maturity) Date	Fair Value
Infrastructure Improvements, Series 2001B	Floating to fixed knock-out	\$63,900	BMA Index	3.97%	4.63%	11/29/01	08/01/21	\$(2,308)
Credit Quality Ratings of Counterparties: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aa3/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Refunding Series 2003B	Floating to fixed	\$104,315	Actual Bond Rate	3.97%	2.96%	02/26/03	08/01/08	\$1,717
Credit Quality Ratings of Counterparty: Aa3/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Refunding Series 2003D	Floating to fixed	\$58,085	Actual Bond Rate	3.97%	3.04%	03/20/03	02/01/10	\$1,585
Credit Quality Ratings of Counterparty: Aa3/A+ Morgan Stanley Capital Services								
Infrastructure Improvements, Series 2003F	Fixed to floating	\$30,115	BMA Index	2.54%	3.97%	12/04/03	02/01/10	\$(523)
Credit Quality Ratings of Counterparty: Aa2/AA- JP Morgan Chase								
Infrastructure Improvements, Refunding Series 2004A	Floating to fixed	\$58,725	LIBOR (see terms below)	3.53%	3.51%	03/03/04	02/01/23	\$1,455
Credit Quality Ratings of Counterparty: Aa3/A+ Morgan Stanley Capital Services Terms: 68% of LIBOR (1-month LIBOR > 5.0%) or 63% of LIBOR + 25 basis points (1-month LIBOR < 5.0%)								
Common Schools, Series 2003D	Fixed to floating	\$67,000	BMA Index	2.67%	3.97%	12/15/03	09/01/07	\$(866)
Credit Quality Ratings of Counterparties: 50% Aa2/AA- JP Morgan Chase; 50% Aa3/A+ Morgan Stanley Capital Services								
Common Schools, Series 2003D	Floating to fixed LIBOR	\$67,000	LIBOR (see terms below)	N/A	N/A	09/14/07	03/15/24	\$3,498
Credit Quality Ratings of Counterparties: 50% Aa2/AA- JP Morgan Chase; 50% Aa3/A+ Morgan Stanley Capital Services Terms: 65% of 1-month LIBOR + 25 basis points								
Common Schools, Series 2005A	Floating to fixed	\$100,000	BMA Index	3.97%	4.08%	04/01/05	03/15/25	\$974
Credit Quality Ratings of Counterparties: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aa2/AA- JP Morgan Chase								
Common Schools, Series 2005B	Floating to fixed	\$100,000	BMA Index	3.97%	4.08%	04/01/05	03/15/25	\$974
Credit Quality Ratings of Counterparties: 50% Aaa/AAA Bear Stearns Financial Products; 50% Aa2/AA- JP Morgan Chase								
Common Schools, Series 2006B	Floating to fixed LIBOR	\$100,000	LIBOR (see terms below)	3.73%	3.20%	06/15/06	06/15/26	\$5,887
Credit Quality Ratings of Counterparties: 50% Aa2/AA+ UBS AG; 50% Aa2/AA- Royal Bank of Canada Terms: 65% of 1-month LIBOR + 25 basis points								
Common Schools, Series 2006C	Floating to fixed LIBOR	\$100,000	LIBOR (see terms below)	3.73%	3.20%	06/15/06	06/15/26	\$5,887
Credit Quality Ratings of Counterparties: 50% Aa2/AA+ UBS AG; 50% Aa2/AA- Royal Bank of Canada Terms: 65% of 1-month LIBOR + 25 basis points								



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### **NOTE 10 GENERAL OBLIGATION BONDS (*Continued*)**

Each swap counterparty is required to post collateral to a third party when their respective credit rating, as determined by specified nationally recognized credit rating agencies, falls below the trigger level defined in the swap agreement. This arrangement protects the State by mitigating the credit risk, and therefore termination risk, inherent in the swap. Collateral on all swaps must be in the form of cash or U.S. government securities held by a third-party custodian. Net payments are made on the same date, as specified in the agreements.

The State retains the right to terminate any swap agreement at the market value prior to maturity. The State has termination risk under the contracts, particularly upon the occurrence of an additional termination event (ATE), as defined in the swap agreements. An ATE occurs if either the credit rating of the bonds associated with a specific swap or the credit rating of the swap counterparty falls below a threshold defined in each swap agreement. If the swap was terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of the termination the swap has a negative fair value, the State would be liable to the counterparty for a payment at the swap's fair value. Other termination events include failure to pay, bankruptcy, merger without assumption, and illegality. No such credit events have occurred.

Interest rate risk, rollover risk, basis risk, and credit risk vary for each interest rate swap. Discussion of these risks is included below, when applicable to the swap.

#### *Infrastructure Improvements-Series 2001B*

The State entered into an interest rate swap to convert the Series 2001B variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2006. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

In addition, the swap has a knock-out option. In the event the 180-day average of the BMA index rate exceeds seven percent, the counterparty can knock-out (cancel) the swap. If the counterparty exercises its option to cancel, the State would be exposed to higher floating rates.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively raise the fixed rate that the State pays on the swap. The BMA municipal swap index has proven to be a good proxy for the State's variable-rate debt and substantially mitigates basis risk.

#### *Infrastructure Improvements- Refunding Series 2003B*

The State entered into an interest rate swap to convert the Series 2003B variable-rate refunding bonds into a synthetic fixed rate through the escrow period of the refunded bonds. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings from the refunding.

The swap matures on August 1, 2008, and the Series 2003B variable-rate bonds mature on August 1, 2017. This mismatch in terms allows the State to increase its variable rate exposure after August 1, 2008, which is consistent with its long-term asset/liability management policy objective.

The State has credit risk exposure equal to the swap's fair value of \$1,717 at June 30, 2006.

#### *Infrastructure Improvements- Refunding Series 2003D*

The State entered into an interest rate swap to convert the Series 2003D variable-rate refunding bonds into a synthetic fixed rate through the escrow period of the refunded bonds. The combination of variable-rate bonds and a floating-to-fixed swap creates a low-cost, synthetic fixed-rate debt during the escrow period without incurring negative arbitrage, increases the State's variable-rate exposure after the call date, and generates expected present value savings from the refunding.

The swap matures on February 1, 2010, and the Series 2003D variable-rate bonds mature on February 1, 2019. This mismatch in terms allows the State to increase its variable rate exposure after February 1, 2010, which is consistent with its long-term asset/liability management policy objective.

The State has credit risk exposure equal to the swap's fair value of \$1,585 at June 30, 2006.

#### *Infrastructure Improvements-Series 2003F*

The State entered into an interest rate swap to convert a portion of the Series 2003F fixed-rate bonds



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 10 GENERAL OBLIGATION BONDS (*Continued*)

into a synthetic variable rate. The combination of fixed-rate bonds and a fixed-to-floating swap creates synthetic variable-rate debt that is exposed to changing interest rates. The borrowing cost is less than the traditional variable borrowing cost.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2006. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

#### *Infrastructure Improvements- Refunding Series 2004A*

The State entered into an interest rate swap to convert the Series 2004A variable-rate bonds into a synthetic fixed rate to minimize interest expense. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State has credit risk exposure equal to the swap's fair value of \$1,455 at June 30, 2006.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

#### *Common Schools-Series 2003D*

The State entered into a fixed-to-floating interest rate swap to convert its Common Schools, Series 2003D fixed-rate bonds into a synthetic variable rate through September 1, 2007. The swap allows the State to achieve variable rate exposure synthetically at a rate equal to the BMA index less 21.5 basis points. The synthetic variable rate created under this swap exposes the State to the risk of rising interest rates.

The fixed-to-floating swap matures on September 1, 2007, and the Common Schools, Series 2003D bonds mature March 15, 2024. Upon expiration of the swap, the bonds are expected to change from a synthetic variable rate to a natural variable rate.

The State was not exposed to credit risk because the swap had a negative fair value at June 30, 2006. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the derivative's fair value.

On August 25, 2005, the State entered into a forward starting floating-to-fixed swap effective September 14, 2007, in connection with the Common Schools, Series 2003D bonds. This swap enabled the State to lock in a low borrowing cost on its variable-rate bonds.

The State has credit risk exposure on the floating-to-fixed swap equal to the swap's fair value of \$3,498 at June 30, 2006.

The floating-to-fixed swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable rate swap receipt based on the LIBOR index.

#### *Common Schools-Series 2005A*

The State entered into an interest rate swap to convert its Common Schools, Series 2005A variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State has credit risk exposure equal to the swap's fair value of \$974 at June 30, 2006.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively raise the fixed rate that the State pays on the swap. The BMA municipal swap index has proven to be a good proxy for the State's variable-rate debt and substantially mitigates basis risk.

#### *Common Schools-Series 2005B*

The State entered into an interest rate swap to convert its Common Schools, Series 2005B variable-rate bonds into a synthetic fixed rate. The combina-



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

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### **NOTE 10 GENERAL OBLIGATION BONDS (*Continued*)**

tion of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State has credit risk exposure equal to the swap's fair value of \$974 at June 30, 2006.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively raise the fixed rate that the State pays on the swap. The BMA municipal swap index has proven to be a good proxy for the State's variable-rate debt and substantially mitigates basis risk.

#### *Common Schools-Series 2006B*

The State entered into an interest rate swap to convert its Common Schools, Series 2006B variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed-rate debt that protects the State from rising interest rates.

The State has credit risk exposure equal to the swap's fair value of \$5,887 at June 30, 2006.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the underlying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable-rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

#### *Common Schools-Series 2006C*

The State entered into an interest rate swap to convert its Common Schools, Series 2006C variable-rate bonds into a synthetic fixed rate. The combination of the variable-rate bonds and a floating-to-fixed swap creates a low-cost, long-term synthetic fixed rate debt that protects the State from rising interest rates.

The State has credit risk exposure equal to the swap's fair value of \$5,887 at June 30, 2006.

The swap exposes the State to basis risk or a mismatch (shortfall) between the floating rate received on the swap and the variable rate paid on the under-

lying variable-rate bonds. A mismatch (shortfall) would effectively make the fixed rate the State pays on the swap higher. Given that the variable swap receipt is based on a taxable index (LIBOR), the State assumes the risk of reductions in marginal federal tax rates or elimination of the tax preference for municipal securities. Those changes would increase the interest rates on the underlying variable rate debt but would not impact the variable-rate swap receipt based on the LIBOR index.

#### **Advance Refundings**

During fiscal year 2006, there were two advance refundings of general obligation bonds as follows:

The State issued approximately \$71.9 million in Common Schools refunding bonds (Series 2005D) with a true interest cost rate of 3.9 percent to defease approximately \$79.4 million (in substance). Net refunding bond proceeds of \$82.4 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$7.8 million over the next 15 years. The net economic gain from the refunding was \$3.2 million.

The State issued approximately \$49.5 million in Higher Education refunding bonds (Series 2005C) with a true interest cost rate of 3.6 percent to defease approximately \$49.8 million (in substance). Net refunding bond proceeds of \$53.9 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$4.3 million over the next 12 years. The net economic gain from the refunding was \$2.8 million.

Proceeds of the new bonds are placed in irrevocable trusts to provide for all future debt service payments of the old bonds. These amounts are considered defeased and no longer outstanding. The various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements.

In addition to the general obligation bonds defeased during fiscal year 2006, the Treasurer of State has defeased other general obligation bonds in prior years and placed the proceeds in irrevocable trusts. As of June 30, 2006, the balances in these trusts for bonds defeased in prior years were \$375.1 million for Infrastructure Improvement Bonds, \$53.5 million for Natural Resources Bonds, \$206.1 million for Common Schools Bonds, and \$56.2 million for Higher Education Bonds.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 11 REVENUE BONDS AND NOTES**

The State Constitution permits state agencies and authorities to issue bonds that are not supported by the full faith and credit of the State. These bonds pledge income derived from user fees and rentals on the acquired or constructed assets to pay the debt service. Issuers for the primary government include the Treasurer of State for the Ohio Department of Development and its Office of Financial Incentives; the Ohio Building Authority (OBA), which has issued revenue bonds on its own behalf and for the Ohio Bureau of Workers' Compensation; and the Ohio Department of Transportation. Major issuers for the State's component units include the Ohio Water Development Authority, the Ohio State University, and the University of Cincinnati.

**A. Primary Government**

Economic Development bonds, issued by the Treasurer of State for the Office of Financial Incentive's Direct Loan Program, provide financing for loans and loan guarantees to businesses within the State for economic development projects that create or retain jobs in the State. The taxable bonds are backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control and pledged moneys and related investment earnings held in reserve under a trust agreement with a financial institution. During fiscal year 2006, the Treasurer of State issued \$50 million in Economic Development bonds.

Revitalization Project revenue bonds provide financing to enable the remediation or clean up of contaminated publicly or privately owned lands to allow for their environmentally safe and productive development. The Revitalization Project bonds are also

backed with profits derived from the sale of spirituous liquor by the Division of Liquor Control. During fiscal year 2006, the Treasurer of State issued \$50 million in Revitalization Project bonds.

Since fiscal year 1998, the Treasurer of State has issued a total of \$538 million in State Infrastructure Bank Bonds for various highway construction projects sponsored by the Department of Transportation. The State has pledged federal highway receipts as the primary source of moneys for meeting the principal and interest requirements on the bonds.

Revenue bonds accounted for in business-type activities finance the costs of office buildings and related facilities constructed by the OBA for shared use by local governments and the William Green Building, which houses the main operations of the Ohio Bureau of Workers' Compensation in Columbus. The principal and interest requirements on the OBA bonds are paid from rentals received under the long-term lease agreements discussed in NOTE 5D.

Revenue bonds outstanding for the primary government, as of June 30, 2006, are presented in the table below.

For the year ended June 30, 2006, NOTE 15 summarizes changes in revenue bonds.

Future bond service requirements for revenue bonds of the primary government, as of June 30, 2006, are presented in the table at the top of the following page.

**Primary Government  
Revenue Bonds  
As of June 30, 2006**  
*(dollars in thousands)*

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
<b>Governmental Activities:</b>				
Treasurer of State:				
Economic Development .....	1997-06	3.8%-7.7%	2026	\$320,430
Revitalization Project.....	2003-06	3.0%-5.0%	2021	97,054
State Infrastructure Bank .....	1998-06	2.0%-5.0%	2016	303,191
Total Governmental Activities.....				<u>720,675</u>
<b>Business-Type Activities:</b>				
Ohio Building Authority.....	1997-04	2.0%-4.0%	2008	7,163
Bureau of Workers' Compensation .....	2003	1.6%-4.0%	2014	128,052
Total Business-Type Activities.....				<u>135,215</u>
Total Revenue Bonds .....				<u>\$855,890</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

**Primary Government  
Future Funding Requirements for Revenue Bonds  
As of June 30, 2006**  
*(dollars in thousands)*

Year Ending June 30,	Governmental Activities			Business-Type Activities			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007 .....	\$ 77,015	\$ 35,449	\$ 112,464	\$ 18,803	\$ 6,051	\$ 24,854	\$ 95,818	\$ 41,500	\$ 137,318
2008 .....	78,900	33,392	112,292	17,741	5,337	23,078	96,641	38,729	135,370
2009 .....	71,870	29,701	101,571	16,005	4,606	20,611	87,875	34,307	122,182
2010 .....	58,075	26,255	84,330	15,930	3,867	19,797	74,005	30,122	104,127
2011 .....	42,565	23,370	65,935	15,865	3,109	18,974	58,430	26,479	84,909
2012-2016 .....	166,800	88,658	255,458	47,005	4,621	51,626	213,805	93,279	307,084
2017-2021 .....	139,805	44,184	183,989	—	—	—	139,805	44,184	183,989
2022-2026 .....	68,010	8,363	76,373	—	—	—	68,010	8,363	76,373
	703,040	289,372	992,412	131,349	27,591	158,940	834,389	316,963	1,151,352
Net Unamortized Premium/(Discount) .....	17,635	—	17,635	6,614	—	6,614	24,249	—	24,249
Deferred Refunding Loss .....	—	—	—	(2,748)	—	(2,748)	(2,748)	—	(2,748)
<b>Total</b> .....	<b>\$720,675</b>	<b>\$289,372</b>	<b>\$1,010,047</b>	<b>\$135,215</b>	<b>\$27,591</b>	<b>\$162,806</b>	<b>\$855,890</b>	<b>\$316,963</b>	<b>\$1,172,853</b>

In December 1998, the Treasurer of State entered into a forward purchase refunding agreement to advance refund approximately \$102 million in Series 1996 Taxable Development Assistance Bonds on October 1, 2006. Under the terms of the bond purchase agreement, the underwriter has agreed to purchase approximately \$102 million in Series 1998 Taxable Development Assistance Refunding Bonds and deliver to the escrow agent on or before August 25, 2006 cash and/or direct U.S. government obligations sufficient to provide for the redemption of the refunded bonds on October 1, 2006. Because the State has not taken delivery of the proceeds from the issuance of the Series 1998 Taxable Development Assistance Refunding Bonds, as of June 30, 2006, no obligation for the refunding bonds has been included in the financial statements.

**B. Component Units**

Ohio Water Development Authority (OWDA) bonds and notes provide financing to local government authorities (LGA) in the State of Ohio for the acquisition, construction, maintenance, repair, and operation of water development projects and solid waste projects, including the construction of sewage and related water treatment facilities. The principal and interest requirements on OWDA obligations are generally paid from investment earnings, federal funds and/or repayments of loan principal and interest thereon from the LGAs.

A portion of OWDA's outstanding bonds has been issued for the Water Pollution Control Loan Program, which provides low-cost financing to LGAs for the construction of wastewater treatment facilities.

In the event pledged program revenues, which consist of interest payments from the LGAs as reimbursement for construction costs, are not sufficient to meet debt service requirements for the bonds, the General Assembly may appropriate moneys for the full replenishment of a bond reserve. As of December 31, 2005, approximately \$1.54 billion in bonds were outstanding for this program.

Future bond service requirements for the Water Pollution Control Loan Program revenue bonds, as of December 31, 2005, were as follows (dollars in thousands):

Year Ending December 31,	Principal	Interest	Total
2006.....	\$ 49,610	\$ 71,940	\$ 121,550
2007.....	52,965	69,552	122,517
2008.....	70,285	67,155	137,440
2009.....	80,420	63,927	144,347
2010.....	86,190	59,916	146,106
2011-2015 .....	382,390	229,704	612,094
2016-2020 .....	410,750	143,864	554,614
2021-2025 .....	338,700	39,116	377,816
	1,471,310	745,174	2,216,484
Net Unamortized Premium/(Discount) .....	106,532	—	106,532
Deferred Refunding Loss .....	(37,114)	—	(37,114)
<b>Total</b> .....	<b>\$1,540,728</b>	<b>\$745,174</b>	<b>\$2,285,902</b>

Of the outstanding revenue bonds and notes reported for the OWDA component unit fund, approximately \$116.6 million in bonds had adjustable interest rates that are reset weekly at rates determined by the remarketing agency. As of December 31,



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 11 REVENUE BONDS AND NOTES (Continued)**

**Major Component Units**  
**Future Funding Requirements for Revenue Bonds**  
**As of June 30, 2006**  
*(dollars in thousands)*

Year Ending December 31 or June 30,	Ohio Water Development Authority (12/31/05)			Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006 .....	\$ 141,802	\$ 117,650	\$ 259,452						
2007 .....	130,148	111,583	241,731	\$ 485,599	\$ 42,700	\$ 528,299	\$ 108,745	\$ 38,408	\$ 147,153
2008 .....	107,210	106,170	213,380	33,010	27,470	60,480	34,460	33,575	68,035
2009 .....	133,470	101,208	234,678	32,020	26,211	58,231	29,390	32,229	61,619
2010 .....	139,465	94,868	234,333	33,168	24,930	58,098	29,725	31,001	60,726
2011 .....	—	—	—	43,858	23,535	67,393	29,925	29,685	59,610
2011-2015 .....	732,660	376,417	1,109,077	—	—	—	—	—	—
2012-2016 .....	—	—	—	153,975	89,133	243,108	167,135	127,205	294,340
2016-2020 .....	660,580	222,556	883,136	—	—	—	—	—	—
2017-2021 .....	—	—	—	126,033	57,844	183,877	185,100	84,977	270,077
2021-2025 .....	486,205	72,151	558,356	—	—	—	—	—	—
2022-2026 .....	—	—	—	95,852	29,679	125,531	148,750	44,604	193,354
2026-2030 .....	38,610	7,552	46,162	—	—	—	—	—	—
2027-2031 .....	—	—	—	56,875	11,590	68,465	106,350	14,024	120,374
2031-2035 .....	12,270	1,285	13,555	—	—	—	—	—	—
2032-2036 .....	—	—	—	24,905	1,082	25,987	—	—	—
	2,582,420	1,211,440	3,793,860	1,085,295	334,174	1,419,469	839,580	435,708	1,275,288
Net Unamortized Premium/(Discount) .....	102,881	—	102,881	—	—	—	2,951	—	2,951
Deferred Refunding Loss .....	(61,884)	—	(61,884)	—	—	—	—	—	—
<b>Total</b> .....	<b>\$2,623,417</b>	<b>\$1,211,440</b>	<b>\$3,834,857</b>	<b>\$1,085,295</b>	<b>\$334,174</b>	<b>\$1,419,469</b>	<b>\$842,531</b>	<b>\$435,708</b>	<b>\$1,278,239</b>

2005, the rate for the variable-rate bonds was approximately 3.5 percent.

Generally, bonds and notes issued by the state universities and state community colleges are payable from the institutions' available receipts, including student fees, rental income, and gifts and donations, as may be provided for in the respective bond proceedings, for the construction of educational and student residence facilities and auxiliary facilities such as dining halls, hospitals, parking facilities,

bookstores, and athletic facilities.

Except as previously discussed with respect to OWDA's Water Pollution Control Loan Program bonds, the State is not obligated in any manner for the debt of its component units.

Future bond service requirements for revenue bonds and notes reported for the discretely presented major component units, as of June 30, 2006, are presented in the above table.

**NOTE 12 SPECIAL OBLIGATION BONDS**

The Ohio Building Authority (OBA) and the Treasurer of State issue special obligation bonds reported in governmental activities.

OBA bonds finance the capital costs of categories of facilities including correctional facilities and office buildings for state departments and agencies and, in some cases, related facilities for local governments.

Under the authority of Chapter 154, Ohio Revised Code, the Treasurer of State is the issuer of special

obligation bonds that finance the cost of capital facilities for state-supported institutions of higher education, mental health and retardation institutions, parks and recreation, and cultural and sports facilities.

Elementary and Secondary Education Bonds, which the Treasurer of State issued for the Department of Education, finance the construction costs of capital facilities for local school districts.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 12 SPECIAL OBLIGATION BONDS (Continued)**

**Primary Government-Governmental Activities**  
**Special Obligation Bonds**  
**As of June 30, 2006**  
(dollars in thousands)

	Fiscal Years Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance	Authorized But Unissued
<b>Ohio Building Authority .....</b>	1993-06	2.0%-6.1%	2025	\$1,896,861	\$231,600
<b>Treasurer of State:</b>					
Chapter 154 Bonds.....	1993-06	2.5%-5.4%	2020	1,368,904	118,225
Elementary and Secondary Education....	1997-99	4.0%-5.6%	2008	51,560	—
Total Special Obligation Bonds .....				<u>\$3,317,325</u>	<u>\$349,825</u>

The State reports OBA bonds issued for capital projects that benefit state agencies as special obligation bonds, while OBA bonds issued to finance the costs of local government facilities are reported as revenue bonds (See NOTE 11).

Pledges of lease rental payments from appropriations made to the General Fund, Highway Safety and Highway Operating Special Revenue funds, and Underground Parking Garage Enterprise Fund, moneys held by trustees pursuant to related trust agreements, and other receipts, as required by the respective bond documents, secure the special obligation bonds. The lease rental payments are reported in the fund financial statements as interfund transfers.

Special obligation bonds outstanding and bonds authorized but unissued, as of June 30, 2006, are presented in the above table.

Future special obligation debt service requirements, as of June 30, 2006, were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2007.....	\$ 456,117	\$152,791	\$ 608,908
2008.....	445,484	131,238	576,722
2009.....	337,570	111,372	448,942
2010.....	326,485	94,602	421,087
2011.....	297,745	78,715	376,460
2012-2016.....	919,190	225,990	1,145,180
2017-2021.....	380,065	68,939	449,004
2022-2026.....	98,630	10,209	108,839
	3,261,286	873,856	4,135,142
Net Unamortized Premium/ (Discount) .....	129,776	—	129,776
Deferred Refunding Loss....	(73,737)	—	(73,737)
Total .....	<u>\$3,317,325</u>	<u>\$873,856</u>	<u>\$4,191,181</u>

For the year ended June 30, 2006, NOTE 15 summarizes changes in special obligation bonds.

During fiscal year 2006, the OBA defeased two special obligation bond issues *in substance* when the net proceeds of refunding bonds (after payment of underwriting fees and bond issue costs) were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. A resulting economic gain/(loss) from an advance refunding represents the difference between the present values of the debt service payments on the old and new debt.

OBA issued approximately \$7.4 million in State Facilities Transportation Building refunding bonds (Series 2005A) with a true interest cost rate of 3.4 percent to defease approximately \$7.1 million (in substance). Net refunding bond proceeds of \$7.3 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$260 thousand over the next 6 years. The net economic gain from the refunding was \$239 thousand.

OBA also issued approximately \$27.4 million in State Facilities Juvenile Correctional Building refunding bonds (Series 2005B) with a true interest cost rate of 4 percent to defease approximately \$27.8 million (in substance). Net refunding bond proceeds of \$29.1 million were deposited with escrow agents to provide for all future principal and interest payments on the old bonds. As a result of the refunding, the State's debt service payments will be reduced by \$1.1 million over the next 14 years. The net economic gain from the refunding was \$857 thousand.

In prior years, the OBA and the Treasurer of State defeased certain bond issues by placing the



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 12 SPECIAL OBLIGATION BONDS (Continued)**

proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the various trust accounts' assets and liabilities for the defeased bonds are not included in the State's financial statements. As of

June 30, 2006, \$463.7 million and \$428.2 million of OBA and Chapter 154 special obligation bonds, respectively, are considered defeased and no longer outstanding.

**NOTE 13 CERTIFICATES OF PARTICIPATION**

**A. Primary Government**

As of June 30, 2006, approximately \$90.4 million in certificate of participation (COP) obligations were reported in governmental activities.

In fiscal year 1992, the Ohio Department of Transportation participated in the issuance of \$8.7 million of COP obligations to finance the acquisition of the Panhandle Rail Line Project. During fiscal year 1996, the Department also participated in the issuance of \$10.2 million in COP obligations to provide assistance to the Rickenbacker Port Authority for facility improvements at the Rickenbacker International Airport in Franklin and Pickaway counties. In fiscal year 2005, the Ohio Department of Administrative Services participated in the issuance of \$79.2 million of COP obligations to finance the acquisition of the Ohio Administrative Knowledge System (OAKS), a statewide Enterprise Resource Planning (ERP) system.

Under the COP financing arrangements, the State is required to make rental payments from the Transportation Certificates of Participation Debt Service Fund, the OAKS Certificates of Participation Debt Service Fund, and the General Fund (subject to biennial appropriations) that approximate the interest

and principal payments made by trustees to certificate holders.

Obligations outstanding for the primary government under COP financing arrangements, as of June 30, 2006, are presented in the table below.

As of June 30, 2006, the primary government's future commitments under the COP financing arrangements were as follows (dollars in thousands):

Year Ending June 30,	Principal	Interest	Total
2007 .....	\$ 800	\$ 4,291	\$ 5,091
2008 .....	6,780	4,101	10,881
2009 .....	7,125	3,758	10,883
2010 .....	7,495	3,387	10,882
2011 .....	7,890	2,994	10,884
2012-2016 .....	43,765	8,366	52,131
2017 .....	9,860	259	10,119
	83,715	27,156	110,871
Net Unamortized Premium .....	6,674	—	6,674
<b>Total .....</b>	<b>\$90,389</b>	<b>\$27,156</b>	<b>\$117,545</b>

For the year ended June 30, 2006, NOTE 15 summarizes changes in COP obligations.

**Primary Government — Governmental Activities  
Certificate of Participation Obligations  
As of June 30, 2006  
(dollars in thousands)**

**Department of Transportation:**

Panhandle Rail Line Project.....  
Rickenbacker Port Authority Improvements.....

**Department of Administrative Services:**

Ohio Administrative Knowledge System (OAKS).....

Total Certificates of Participation .....

Fiscal Year Issued	Interest Rates	Maturing Through Fiscal Year	Outstanding Balance
1992	6.5%	2012	\$ 4,220
1996	6.1%	2007	310
2005	3.8%	2017	85,859
			<b>\$90,389</b>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 13 CERTIFICATES OF PARTICIPATION (Continued)**

**B. Component Units**

For the State's component units, approximately \$27.9 million in COP obligations are reported in the component unit funds. The obligations finance building construction costs at The Ohio State University, the University of Cincinnati, and the University of Akron.

As of June 30, 2006, future commitments under the COP financing arrangements for the State's component units are detailed in the table below.

**Component Units**  
**Future Funding Requirements for Certificate of Participation Obligations**  
**As of June 30, 2006**  
*(dollars in thousands)*

Year Ending June 30,	Ohio State University			University of Cincinnati		
	Principal	Interest	Total	Principal	Interest	Total
2007 .....	\$ 360	\$ 277	\$ 637	\$ 90	\$10	\$100
2008 .....	390	260	650	90	5	95
2009 .....	405	242	647	—	—	—
2010 .....	425	222	647	—	—	—
2011 .....	445	202	647	—	—	—
2012-2016 .....	2,580	646	3,226	—	—	—
2017-2021 .....	1,220	62	1,282	—	—	—
2022-2026 .....	—	—	—	—	—	—
2027-2031 .....	—	—	—	—	—	—
2032-2036 .....	—	—	—	—	—	—
Total .....	<b>\$5,825</b>	<b>\$1,911</b>	<b>\$7,736</b>	<b>\$180</b>	<b>\$15</b>	<b>\$195</b>

Year Ending June 30,	University of Akron			Total Component Units		
	Principal	Interest	Total	Principal	Interest	Total
2007 .....	\$ 275	\$ 1,450	\$ 1,725	\$ 725	\$ 1,737	\$ 2,462
2008 .....	295	1,430	1,725	775	1,695	2,470
2009 .....	315	1,410	1,725	720	1,652	2,372
2010 .....	340	1,385	1,725	765	1,607	2,372
2011 .....	365	1,360	1,725	810	1,562	2,372
2012-2016 .....	2,245	6,380	8,625	4,825	7,026	11,851
2017-2021 .....	3,175	5,450	8,625	4,395	5,512	9,907
2022-2026 .....	4,340	4,285	8,625	4,340	4,285	8,625
2027-2031 .....	5,940	2,685	8,625	5,940	2,685	8,625
2032-2036 .....	4,570	605	5,175	4,570	605	5,175
Total .....	<b>\$21,860</b>	<b>\$26,440</b>	<b>\$48,300</b>	<b>\$27,865</b>	<b>\$28,366</b>	<b>\$56,231</b>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 14 OTHER NONCURRENT LIABILITIES**

As of June 30, 2006, in addition to bonds and certificates of participation obligations discussed in NOTES 10 through 13, the State reports the following noncurrent liabilities in its financial statements (dollars in thousands):

**Governmental Activities:**

Compensated Absences .....	\$ 420,673
Capital Leases Payable .....	3,366
Estimated Claims Payable .....	8,398
Liability for Escheat Property .....	<u>255,800</u>
Total Governmental Activities .....	<u>688,237</u>

**Business-Type Activities:**

Compensated Absences .....	34,454
Capital Leases Payable .....	12
Workers' Compensation:	
Unearned Revenue .....	399,994
Benefits Payable .....	17,250,678
Other .....	1,832,645
Deferred Prize Awards Payable .....	723,531
Tuition Benefits Payable .....	1,095,900
Workers Compensation Claims-	
Auditor of State's Office.....	<u>7,490</u>
Total Business-Type Activities .....	<u>21,344,704</u>
Total Primary Government.....	<u>\$22,032,941</u>

For the year ended June 30, 2006, NOTE 15 summarizes the changes in other noncurrent liabilities. Explanations of certain significant noncurrent liability balances reported in the financial statements follow.

**A. Compensated Absences**

For the primary government, the compensated absences liability, as of June 30, 2006, was \$455.1 million, of which \$420.7 million is allocable to governmental activities and \$34.4 million is allocable to business-type activities.

As of June 30, 2006, discretely presented major component units reported a total of \$152.2 million in compensated absences liabilities, as detailed by major component unit in NOTE 15.

**B. Lease Agreements**

The State's primary government leases office buildings and office and computer equipment. Although the lease terms vary, most leases are renewable subject to biennial appropriations by the General Assembly. If the likelihood of the exercise of a fiscal funding clause in the lease agreement is, in the management's judgment, remote, then the lease is considered noncancelable for financial reporting purposes and is reported as a fund expenditure/expense for operating leases or as a liability for capital leases.

Assets acquired through capital leasing are valued at the lower of fair value or the present value of the future minimum lease payments at the lease's inception.

Operating leases (leases on assets not recorded in the Statement of Net Assets) contain various renewal options as well as some purchase options.

Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures. Operating lease payments are recorded as expenditures or expenses of the related funds when paid or incurred.

The primary government's total operating lease expenditures/expenses for fiscal year 2006 were approximately \$89.3 million.

Future minimum lease commitments for operating leases and capital leases judged to be noncancelable, as of June 30, 2006, were as follows (dollars in thousands):

**Primary Government**

Year Ending June 30,	Operating Leases
2007 .....	\$4,326
2008 .....	561
2009 .....	176
2010 .....	78
Total minimum lease payments .....	<u>\$5,141</u>

**Capital Leases**

Year Ending June 30,	Govern- ment- al Activities	Business- Type Activities	Total
2007 .....	\$1,940	\$ 5	\$1,945
2008 .....	1,576	3	1,579
2009 .....	70	3	73
2010 .....	13	2	15
2011 .....	—	1	1
Total Mini- mum Lease Payments .....	3,599	14	3,613
Amount for interest .....	(233)	(2)	(235)
Present Value of Net Mini- mum Lease Payments .....	<u>\$3,366</u>	<u>\$12</u>	<u>\$3,378</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)**

As of June 30, 2006, the primary government had the following capital assets under capital leases (dollars in thousands):

Primary Government		
	Govern- ment- al Activities	Business- Type Activities
		Total
Equipment ....	\$10,098	\$12
		\$10,110

Amortization expense for the proprietary funds within the Statement of Activities is included with depreciation expense.

Capital leases are reported under the "Refund and Other Liabilities" account in the proprietary and component unit funds.

Future minimum lease commitments for capital leases judged to be noncancelable and capital assets under capital leases for the discretely presented major component unit funds, as of June 30, 2006, are presented in the table below.

Major Component Units		
Capital Leases		
Year Ending June 30,	Ohio State University	University of Cincinnati
2007 .....	\$ 5,887	\$ 11,490
2008 .....	3,287	11,695
2009 .....	2,581	12,725
2010 .....	1,949	12,551
2011 .....	922	11,482
2012-2016 .....	1,647	51,745
2017-2021 .....	—	39,124
2022-2026 .....	—	29,721
2027-2031 .....	—	6,255
Total Minimum Lease Payments...	16,273	186,788
Amount for interest .....	(1,166)	(64,648)
Present Value of Net Minimum Lease Payments...	<u>\$15,107</u>	<u>\$122,140</u>
Equipment & Vehicles .....	\$53,928	\$ —
Buildings.....	—	141,909
Total .....	<u>\$53,928</u>	<u>\$141,909</u>

**C. Estimated Claims Payable**

For governmental activities, the State recognized \$4.9 million in estimated claims liabilities, as of June 30, 2006, for damaged state vehicles covered under the State's self-insured program, which was established in the General Fund for this purpose at the Department of Administrative Services.

Additionally, the State reported \$3.5 million in estimated claims for defaulted loans under the Ohio Enterprise Bond Program at the Ohio Department of Development, as of June 30, 2006. The program is included in governmental activities and is accounted for in the Community and Economic Development Special Revenue Fund.

**D. Liability for Escheat Property**

The State records a liability for escheat property to the extent that it is probable that the escheat property will be reclaimed and paid to claimants. As of June 30, 2006, this liability totaled approximately \$255.8 million.

**E. Workers' Compensation**

**Unearned Revenue**

Unearned revenue in the amount of \$400 million is reported as a noncurrent liability in the Workers' Compensation Enterprise Fund. This balance represents employer assessments for disabled workers benefits and for self-insuring employers guaranty deposits received or in the course of collection, but not yet recognized.

**Benefits Payable**

As discussed in NOTE 20A, the Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death. The Bureau has computed a reserve for compensation, as of June 30, 2006, in the amount of approximately \$17.25 billion. The reserve, which includes estimates for reported claims and claims incurred but not reported, is included in the "Benefits Payable" balance reported for the enterprise fund.

**F. Deferred Prize Awards Payable**

Future installment payments for the deferred prize awards payable are reported at present value based upon interest rates that the Treasurer of State provides to the Lottery Commission Enterprise Fund. The interest rates, ranging from four to 11.69 percent, represent the expected long-term rate of return on the assets restricted for the payment of deferred prize awards. Once established for a particular deferred prize award, the interest rate does not



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 14 OTHER NONCURRENT LIABILITIES (Continued)

fluctuate with changes in the expected long-term rate of return. The difference between the present value and gross amount of the obligations is amortized into income over the terms of the obligations using the interest method. As of June 30, 2006, this payable totals \$723.5 million.

Future payments of prize awards, stated at present value, as of June 30, 2006, follow (dollars in thousands):

Year Ending June 30,	
2007 .....	\$138,601
2008.....	101,120
2009.....	85,661
2010.....	68,659
2011.....	65,937
2012-2016.....	328,117
2017-2021.....	215,800
2022-2026.....	64,322
2027-2031.....	13,239
2032-2035.....	2,300
	1,083,756
Unamortized Discount .....	(360,225)
<b>Net Prize Liability .....</b>	<b>\$723,531</b>

The State reduces prize liabilities by an estimate of the amount of prizes that will ultimately be unclaimed.

#### G. Tuition Benefits Payable

The actuarial present value of future tuition benefits payable from the Tuition Trust Authority Enterprise Fund was approximately \$1.1 billion, as of June 30, 2006. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition increases at state universities and state community colleges and termination of participant contracts under the plan.

The following assumptions were used in the actuarial determination of tuition benefits payable: seven percent rate of return, compounded annually, on the investment of current and future assets; a projected annual tuition increase of ten percent; and a 2.5-percent Consumer Price Index inflation rate. The effect of changes due to experience and actuarial assumption changes follow (dollars in millions):

Actuarial Deficit, as of June 30, 2005 .....	(\$250.0)
Adjustment to Beginning of Year's Assets.....	9.1
Interest on the Deficit at 7 Percent.....	(16.9)
Investment Gain.....	9.3
Lower-Than-Assumed Tuition Increase .....	9.7
Corrected Beneficiary Dates of Birth.....	7.0
Interest Gain on Late Tuition Payouts.....	.6
Other.....	(.6)
	(231.8)
Value of Future Contingent Payments for Variable Investment Options.....	55.2
<b>Actuarial Deficit, as of June 30, 2006 .....</b>	<b>\$176.6</b>

As of June 30, 2006, the market value of actuarial net assets available for payment of the tuition benefits payable was \$864.1 million.

#### H. Other Liabilities

The Workers' Compensation Enterprise Fund reports approximately \$1.83 billion in other noncurrent liabilities, as of June 30, 2006, of which 1.) \$1.68 billion is comprised of the compensation adjustment expenses liability for estimated future expenses to be incurred in the settlement of claims, as discussed further in NOTE 20A., 2.) \$87.7 million represents premium payment security deposits collected in advance from private employers to reduce credit risk for premiums collected in subsequent periods, and 3.) \$68.5 million consists of other miscellaneous liabilities.

Additionally, the Office of the Auditor of State Enterprise Fund reports \$7.5 million in other liabilities for estimated workers' compensation claims payable. For the payment of the claims, the General Fund transfers resources to the Office of the Auditor of State Enterprise Fund. As claims expenses are incurred, transfers from the General Fund are accrued. Accordingly, the General Fund reported an interfund payable to the Bureau of Workers' Compensation Enterprise Fund in an amount equal to the workers' compensation claims payable reported in the Office of Auditor of State Enterprise Fund, as of June 30, 2006 (See NOTE 7A.).



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 15 CHANGES IN NONCURRENT LIABILITIES**

**A. Primary Government**

Changes in noncurrent liabilities, for the year ended June 30, 2006, are presented for the primary government in the following table.

**Primary Government  
Changes in Noncurrent Liabilities  
For the Fiscal Year Ended June 30, 2006**  
(dollars in thousands)

<b>Governmental Activities:</b>	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amount Due Within One Year
Bonds and Notes Payable:					
General Obligation Bonds (NOTE 10) .....	\$ 6,039,203	\$ 1,453,237	\$ 598,919	\$ 6,893,521	\$ 482,553
Revenue Bonds (NOTE 11) .....	591,888	204,972	76,185	720,675	77,730
Special Obligation Bonds (NOTE 12) .....	3,699,936	131,924	514,535	3,317,325	459,647
Total Bonds and Notes Payable .....	10,331,027	1,790,133	1,189,639	10,931,521	1,019,930
Certificates of Participation (NOTE 13) .....	92,142	—	1,753	90,389	800
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences .....	397,617	370,596	347,540	420,673	46,000
Capital Leases Payable.....	2,471	4,959	4,064	3,366	1,725
Estimated Claims Payable.....	6,623	3,118	1,343	8,398	1,500
Liability for Escheat Property.....	203,501	111,136	58,837	255,800	79,609
Total Other Noncurrent Liabilities .....	610,212	489,809	411,784	688,237	128,834
Total Noncurrent Liabilities .....	<u>\$11,033,381</u>	<u>\$2,279,942</u>	<u>\$1,603,176</u>	<u>\$11,710,147</u>	<u>\$1,149,564</u>

**Business-Type Activities:**

Bonds and Notes Payable:					
Revenue Bonds (NOTE 11).....	\$ 151,063	\$ 1,255	\$ 17,103	\$ 135,215	\$ 18,803
Other Noncurrent Liabilities (NOTE 14):					
Compensated Absences.....	35,683	30,908	32,137	34,454	3,180
Capital Leases Payable .....	205	12	205	12	5
Workers' Compensation:					
Unearned Revenue .....	389,332	47,334	36,672	399,994	39,396
Benefits Payable.....	17,499,142	1,289,653	1,538,117	17,250,678	1,886,938
Other:					
Adjustment Expenses Liability .....	1,800,540	643,841	767,883	1,676,498	420,856
Premium Payment Security Deposits.....	86,992	3,464	2,763	87,693	—
Miscellaneous .....	67,592	21,174	20,312	68,454	62,535
Deferred Prize Awards Payable.....	843,418	463,416	583,303	723,531	94,484
Tuition Benefits Payable.....	1,106,800	34,409	45,309	1,095,900	81,200
Workers' Compensation Claims-					
Auditor of State's Office .....	9,528	—	2,038	7,490	115
Total Other Noncurrent Liabilities .....	<u>21,839,232</u>	<u>2,534,211</u>	<u>3,028,739</u>	<u>21,344,704</u>	<u>2,588,709</u>
Total Noncurrent Liabilities .....	<u>\$21,990,295</u>	<u>\$2,535,466</u>	<u>\$3,045,842</u>	<u>\$21,479,919</u>	<u>\$2,607,512</u>



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 15 CHANGES IN NONCURRENT LIABILITIES (Continued)**

The State makes payments on bonds and notes payable and certificate of participation obligations that pertain to its governmental activities from the debt service funds. The General Fund and the major special revenue funds will primarily liquidate the other noncurrent liabilities balance attributable to governmental activities.

For fiscal year 2006, the State's primary government included interest expense on its debt issues in the following governmental functions rather than reporting it separately as interest expense. The related borrowings are essential to the creation or continuing existence of the programs they finance. The various state subsidy programs supported by the borrowings provide direct state assistance to local governments for their respective capital construction or research projects. None of the financing provided under these programs benefits the general operations of the primary government, and accordingly, such expense is not reported separately on

the Statement of Activities under the expense category for interest on long-term debt.

		(in 000s)
	<b>Governmental Activities:</b>	
Primary, Secondary and Other Education		\$121,081
Higher Education Support .....		126,681
Environmental Protection and Natural Resources.....		739
Transportation .....		4
Community and Economic Development		<u>118,201</u>
Total Interest Expense		
Charged to Governmental Functions..		<u>\$366,706</u>

**B. Component Units**

Changes in noncurrent liabilities, for the year ended June 30, 2006 (December 31, 2005 for the Ohio Water Development Authority), are presented in the following table for the State's discretely presented major component units.

**Major Component Units  
Changes in Noncurrent Liabilities  
For the Fiscal Year Ended June 30, 2006**  
(dollars in thousands)

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Amount Due Within One Year
<i>School Facilities Commission:</i>					
Intergovernmental Payable .....	\$2,341,427	\$ 487,708	\$ 683,122	\$2,146,013	\$990,280
Compensated Absences* .....	555	548	419	684	101
<b>Total</b> .....	<b>\$2,341,982</b>	<b>\$ 488,256</b>	<b>\$ 683,541</b>	<b>\$2,146,697</b>	<b>\$990,381</b>
<i>Ohio Water Development Authority:</i>					
Revenue Bonds & Notes Payable (NOTE 11). .	\$2,243,949	\$ 975,028	\$ 595,560	\$2,623,417	\$141,798
Compensated Absences* .....	161	26	19	168	—
<b>Total</b> .....	<b>\$2,244,110</b>	<b>\$ 975,054</b>	<b>\$ 595,579</b>	<b>\$2,623,585</b>	<b>\$141,798</b>
<i>Ohio State University:</i>					
Unearned Revenue .....	\$ 100,670	\$1,544,796	\$1,506,562	\$ 138,904	\$136,904
Compensated Absences* .....	78,752	11,856	5,554	85,054	5,554
Capital Leases Payable* .....	15,458	6,974	7,325	15,107	5,509
Other Liabilities* .....	118,284	5,578	4,325	119,537	4,207
Revenue Bonds & Notes Payable (NOTE 11). .	855,902	484,869	255,476	1,085,295	485,599
Certificates of Participation (NOTE 13) .....	6,180	—	355	5,825	360
<b>Total</b> .....	<b>\$1,175,246</b>	<b>\$ 2,054,073</b>	<b>\$ 1,779,597</b>	<b>\$1,449,722</b>	<b>\$638,133</b>
<i>University of Cincinnati:</i>					
Compensated Absences* .....	\$ 65,289	\$ 1,695	\$ 693	\$ 66,291	\$ 35,428
Capital Leases Payable* .....	126,800	—	4,660	122,140	5,325
Other Liabilities* .....	35,804	92,225	85,671	42,358	1,405
Revenue Bonds & Notes Payable (NOTE 11). .	750,005	161,745	69,219	842,531	109,608
Certificates of Participation (NOTE 13) .....	270	—	90	180	90
<b>Total</b> .....	<b>\$ 978,168</b>	<b>\$ 255,665</b>	<b>\$ 160,333</b>	<b>\$1,073,500</b>	<b>\$151,856</b>

\*Liability is reported under the "Refund and Other Liabilities" account.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 16 NO COMMITMENT DEBT**

The State of Ohio, by action of the General Assembly, created various financing authorities for the expressed purpose of making available to non-profit and, in some cases, for profit private entities lower cost sources of capital financing for facilities and projects found to be for a public purpose. Fees are assessed to recover related processing and application costs incurred.

The authorities' debt instruments represent limited obligations payable solely from payments made by the borrowing entities. Most of the bonds are secured by the property financed. Upon repayment of the bonds, ownership of acquired property transfers to the entity served by the bond issuance. This debt is not deemed to constitute debt of the State or a pledge of the faith and credit of the State. Accordingly, these bonds are not reflected in the accompanying financial statements.

As of June 30, 2006 (December 31, 2005 for component units), revenue bonds and notes outstanding that represent "no commitment" debt for the State were as follows (dollars in thousands):

	Outstanding Amount
<b>Primary Government:</b>	
Ohio Department of Development:	
Ohio Enterprise Bond Program .....	\$170,130
Hospital Facilities Bonds .....	11,070
Total Primary Government.....	<u>\$181,200</u>
<b>Component Units (12/31/05):</b>	
Ohio Water Development Authority .....	\$2,205,235
Ohio Air Quality	
Development Authority .....	1,200,000
Total Component Units .....	<u>\$3,405,235</u>

**NOTE 17 FUND DEFICITS, "OTHER" RESERVES, AND DESIGNATIONS**

**A. Fund Deficits**

The following individual funds reported deficits that are reflected in the State's basic financial statements, as of June 30, 2006 (dollars in thousands):

*Primary Government:*

Nonmajor Governmental Funds:	
Mental Health and Retardation	
Special Revenue Fund .....	<u>\$(36,257)</u>

*Primary Government (Continued):*

Major Proprietary Funds:	
Workers' Compensation	
Enterprise Fund .....	<u>\$ (126,621)</u>
<i>Nonmajor Proprietary Funds:</i>	
Tuition Trust Authority Enterprise Fund...	<u>\$ (228,838)</u>
<i>Component Units:</i>	
School Facilities Commission Fund .....	<u>\$(1,587,360)</u>

**B. "Other" Fund Balance Reserves and Designations**

Details on the "Reserved for Other" account reported for the governmental funds, as of June 30, 2006, are presented below.

**Primary Government**  
**Governmental Funds — Reserved for Other**  
**As of June 30, 2006**  
(dollars in thousands)

	General Fund	Job, Family and Other Human Services	Education	Highway Operating	Nonmajor Govern- mental Funds	Total Govern- mental Funds
Compensated Absences .....	\$27,750	\$3,685	\$357	\$5,123	\$ 9,748	\$46,663
Prepays (included in "Other Assets").....	15,384	1,929	176	2,965	5,512	25,966
Advances to Local Governments.....	7,234	—	—	—	—	7,234
Ohio Enterprise Bond Program .....	—	—	—	—	10,000	10,000
Loan Guarantee Programs .....	26	—	—	—	6,794	6,820
Assets in Excess of Debt Service Requirements.....	—	—	—	—	3	3
Total Reserved for Other.....	<u>\$50,394</u>	<u>\$5,614</u>	<u>\$533</u>	<u>\$8,088</u>	<u>\$32,057</u>	<u>\$96,686</u>

The unreserved fund balance for the General Fund, as of June 30, 2006, had been designated for budget stabilization in the amount of \$1.01 billion.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS**

**A. Joint Ventures**

**Great Lakes Protection Fund (GLPF)**

The Great Lakes Protection Fund is an Illinois non-profit organization that was formed to further federal and state commitments to the restoration and maintenance of the Great Lakes Basin's ecosystem. The governors of seven of the eight states that border on the Great Lakes comprise the GLPF's membership. Under the GLPF's articles of incorporation, each state is required to make a financial contribution. Income earned on the contributions provides grants to projects that advance the goals of the Great Lakes Toxic Substances Control Agreement and the binational Great Lakes Water Quality Agreement.

Each governor nominates two individuals to the GLPF's board of directors who serve staggered two-year terms. All budgetary and financial decisions rest with the board, except when they are restricted by the GLPF's articles of incorporation.

Annually, one-third of the GLPF's net earnings is allocated and paid to member states in proportion to their respective cash contributions to the GLPF. The allocation is based on the amount and period of time the states' contributions were invested. GLPF earnings distributions are to be used by the states to finance projects that are compatible with the GLPF's objectives. Ohio applies its distribution (approximately \$281 thousand for the year ended December 31, 2005) to the operations of its own protection program, known as the Lake Erie Protection Program, which is modeled after the GLPF.

Required contributions and contributions received from the states, which border the Great Lakes, as of December 31, 2005 (the GLPF's year-end), were as follows (dollars in thousands):

	Contribution Required	Contribution Received	Contribution Percentage
Michigan .....	\$25,000	\$25,000	30.9%
Indiana* .....	16,000	—	—
Illinois .....	15,000	15,000	18.4
Ohio.....	14,000	14,000	17.3
New York.....	12,000	12,000	14.8
Wisconsin .....	12,000	12,000	14.8
Minnesota.....	1,500	1,500	1.9
Pennsylvania ...	1,500	1,500	1.9
Total .....	<u>\$97,000</u>	<u>\$81,000</u>	<u>100.0%</u>

\*The State of Indiana has not yet elected to join the Great Lakes Protection Fund.

Summary financial information for the GLPF, for the fiscal year ended December 31, 2005, was as follows (dollars in thousands):

Cash and Investments .....	\$122,120
Other Assets .....	399
<b>Total Assets .....</b>	<b>\$122,519</b>
<b>Total Liabilities .....</b>	<b>\$ 2,160</b>
<b>Total Net Assets.....</b>	<b>120,359</b>
<b>Total Liabilities and Net Assets.....</b>	<b>\$122,519</b>
Total Revenues and Other Additions .....	\$ 7,065
Total Expenditures .....	(5,911)
<b>Net Increase in Net Assets .....</b>	<b>\$ 1,154</b>

In the event of the Fund's dissolution, the State of Ohio would receive a residual portion of the Fund's assets equal to the lesser of the amount of such assets multiplied by the ratio of its required contribution to the required contributions of all member states, or the amount of its required contribution.

**Local Community and Technical Colleges**

The State's primary government has an ongoing financial responsibility for the funding of six local community colleges and eight technical colleges. With respect to the local community colleges, State of Ohio officials appoint three members of each college's respective nine-member board of trustees; county officials appoint the remaining six members.

The governing boards of the technical colleges consist of either seven or nine trustees, of which state officials appoint two and three members, respectively; the remaining members are appointed by the local school boards located in the respective technical college district.

The Ohio General Assembly appropriates moneys to these institutions from the General Fund to subsidize operations so that higher education can become more financially accessible to Ohio residents. The primary government also provides financing for the construction of these institutions' capital facilities by meeting the debt service requirements for the Higher Education Capital Facilities general obligation bonds issued by the Ohio Public Facilities Commission (OPFC) and Higher Education Facilities special obligation bonds, previously issued by the OPFC, for these purposes. The bonds provide funding for capital appropriations in the Special Revenue Fund, which are available to the local community and technical colleges for spending on capital construction.



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 18 JOINT VENTURES AND RELATED ORGANIZATIONS (*Continued*)

Fiscal year 2006 expenses that were included in the "Higher Education Support" function under governmental activities in the Statement of Activities for state assistance to the local community and technical colleges are presented below (dollars in thousands).

	Operating Subsidies	Capital Subsidies	Total
<b>Local Community Colleges:</b>			
Cuyahoga .....	\$ 56,980	\$ 7,157	\$ 64,137
Jefferson.....	4,032	1,441	5,473
Lakeland.....	16,796	2,570	19,366
Lorain County .....	25,592	656	26,248
Rio Grande .....	4,959	—	4,959
Sinclair.....	47,899	4,699	52,598
Total Local Community Colleges.....	<u>156,258</u>	<u>16,523</u>	<u>172,781</u>
<b>Technical Colleges:</b>			
Belmont .....	5,503	67	5,570
Central Ohio .....	6,892	365	7,257
Hocking .....	15,608	268	15,876
James A. Rhodes.....	7,693	1	7,694
Marion .....	4,983	89	5,072
Zane .....	4,899	89	4,988
North Central .....	7,850	397	8,247
Stark .....	15,155	2,599	17,754
Total Technical Colleges.....	<u>68,583</u>	<u>3,875</u>	<u>72,458</u>
Total .....	<u><u>\$224,841</u></u>	<u><u>\$20,398</u></u>	<u><u>\$245,239</u></u>

Information for obtaining complete financial statements for each of the primary government's joint ventures is available from the Ohio Office of Budget and Management.

### B. Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Ohio Housing Finance Agency, Ohio Turnpike Commission, the Petroleum Underground Storage Tank Release Compensation Board, the Higher Education Facility Commission, and the Ohio Legal Assistance Foundation. However, the primary government's accountability for these organizations does not extend beyond making the appointments.

During fiscal year 2006, the State had the following related-party transactions with its related organizations:

- The General Fund reports a \$225 million loans receivable balance due from the Ohio Housing Finance Agency. The State made the loans to finance and support the agency's housing programs.
- The Ohio Department of Taxation paid the Ohio Turnpike Commission \$2.9 million from the

Revenue Distribution Fund for the Commission's share of the State's motor vehicle fuel excise tax allocation.

- Separate funds, established for the Ohio Housing Finance Agency, Petroleum Underground Storage Tank Release Compensation Board, and the Higher Education Facility Commission, were accounted for on the primary government's Central Accounting System. The primary purpose of the funds is to streamline payroll and other administrative disbursement processing for these organizations. The financial activities of the funds, which do not receive any funding support from the primary government, have been included in the agency funds.
- From the Job, Family and Other Human Services Fund, the Public Defender's Office paid the Ohio Legal Assistance Foundation approximately \$3.1 million in compensation for administrative services performed under contract for the distribution of state funding to nonprofit legal aid societies and \$2.5 million in state assistance.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 19 CONTINGENCIES AND COMMITMENTS**

**A. Litigation**

The State, its units, and employees are parties to numerous legal proceedings, which normally occur in governmental operations.

All legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the State's financial position.

**B. Federal Awards**

The State of Ohio receives significant awards from the federal government in the form of grants and entitlements, including certain non-cash programs. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the spending of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit or to financial compliance audits by the grantor agencies of the federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities to the State.

As a result of the fiscal year 2005 State of Ohio Single Audit (completed in July 2006), \$96.4 million of federal expenditures were in question as not being appropriate under the terms of the respective grants. No provision for any liability or adjustments has been recognized for the questioned costs in the State's financial statements, for the fiscal year ended June 30, 2006.

**C. Tax Refund Claims**

As of June 30, 2006, personal income tax refund claims estimated in the amount of \$3.7 million were pending an official determination of the Tax Commissioner at the Ohio Department of Taxation. The claims arose from refund claims taxpayers filed for tax periods occurring in prior years. A liability has been reported in the financial statements for this matter under the "Refunds and Other Liabilities" account.

**D. Loan Commitments**

As of June 30, 2006, commitments to finance program loans from the primary government's budgeted nonmajor special revenue funds are detailed below (dollars in thousands):

*Community and Economic Development*

Ohio Department of Development:	
Low- & Moderate-Income	
Housing Loans .....	\$ 19,627
Brownfield Revolving Loans.....	142
	19,769

*Local Infrastructure and Transportation Improvements*

Ohio Public Works Commission:	
State Capital Improvements Loans .....	42,147
Revolving Loans .....	39,527
	81,674
Total Nonmajor Governmental Funds .....	<u>\$101,443</u>

As of December 31, 2005, loan commitments for the Ohio Water Development Authority, a discretely presented major component unit, were as follows (dollars in thousands):

Water Pollution Control Loan .....	\$677,414
Drinking Water Assistance .....	79,521
Fresh Water .....	79,024
Other Projects .....	10,639
Community Assistance.....	10,393
Rural Utility Services .....	7,201
Pure Water Refunding.....	653
Total .....	<u>\$864,845</u>

The Authority intends to meet these commitments using available funds and grant commitments from the U.S. Environmental Protection Agency.

**E. Construction Commitments**

As of June 30, 2006, the Ohio Department of Transportation had total contractual commitments of approximately \$2.01 billion for highway construction projects. Funding for future projects is expected to be provided from federal, primary government, general obligation and revenue bonds, and local government sources in amounts of \$1.19 billion, \$388.3 million, \$368.2 million, and \$59.6 million, respectively.

As of June 30, 2006, other major non-highway construction commitments for the primary government's budgeted capital projects funds and major discretely presented component unit funds were as follows (dollars in thousands):

**Primary Government**

Mental Health/Mental Retardation	
Facilities Improvements.....	\$ 20,511
Parks and Recreation Improvements .....	8,324
Administrative Services	
Building Improvements .....	30,246
Youth Services Building Improvements.....	9,592
Adult Correctional Building Improvements ..	30,970
Highway Safety Building Improvements.....	1,368
Ohio Parks and Natural Resources.....	<u>13,435</u>
Total.....	<u>\$114,446</u>

**Major Component Units**

Ohio State University .....	\$177,370
University of Cincinnati.....	129,955



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 19 CONTINGENCIES AND COMMITMENTS (Continued)**

**F. Tobacco Settlement**

In November 1998, the Attorneys General of 46 states, five U.S. territories, and the District of Columbia signed the Master Settlement Agreement (MSA) with the nation's largest tobacco manufacturers. This signaled the end of litigation brought by the Attorneys General against the manufacturers in 1996 for state health care expenses attributed to smoking-related claims. The remaining four states (Florida, Minnesota, Mississippi, and Texas) settled separately.

According to the MSA, participating tobacco manufacturers are required to adhere to a variety of new marketing and lobbying restrictions and provide payments to the states in perpetuity.

While Ohio's share of the total base payments to the states through 2025 will not change over time, estimating the amount of annual payments that actually will be received in any given year can be complex, since under the terms of the MSA, payments are subject to a number of adjustment factors, including an inflation adjustment, a volume adjustment, and a potential adjustment for market share losses of participating manufacturers. Some of these adjustments, such as the inflation adjustment, result in the State receiving higher payments. Other factors, such as the volume adjustment and the market share adjustment can work to reduce the amount of the State's annual payments.

In addition to the base payments, Ohio will receive payments from the Strategic Contribution Fund. The Strategic Contribution Fund was established to reward states that played leadership roles in the tobacco litigation and settlement negotiations. Allocations from the fund are based on a state's contribution to the litigation and settlement with the tobacco companies. These payments are also subject to the adjustment factors outlined in the MSA.

A schedule of pre-adjusted base payments and payments from the Strategic Contribution Fund for the State of Ohio in future years follows (dollars in thousands):

Year Ending June 30,	Pre-adjusted MSA Base Payments	Pre-Adjusted Payments From the Strategic Contribution Fund	Total
2007.....	\$ 352,827	\$ —	\$ 352,827
2008.....	359,829	23,950	383,779
2009.....	359,829	23,950	383,779
2010.....	359,829	23,950	383,779
2011.....	359,829	23,950	383,779
2012-2016 ..	1,799,147	119,750	1,918,897
2017-2021 ..	1,972,638	23,950	1,996,588
2022-2025 ..	1,612,809	—	1,612,809
Total.....	<u>\$ 7,176,737</u>	<u>\$239,500</u>	<u>\$7,416,237</u>

During fiscal year 2006, Ohio received \$294.7 million, which is approximately \$58.1 million or 16.5 percent less than the pre-adjusted base payment for the year. For the last seven fiscal years, with fiscal year 2000 being the first year when base payments were made to the states under the settlement, the State has received a total of about \$2.40 billion, which is approximately \$290 million or 10.8 percent less than the total of the pre-adjusted base payments established for the past seven fiscal years.

As of June 30, 2006, the estimated tobacco settlement receivable in the amount of \$200.2 million is included in "Other Receivables" reported for the governmental funds. The receivable includes \$40.2 million for payments withheld from the State in fiscal year 2006 by the cigarette manufacturers when they exercised the market share loss provisions of the MSA. These moneys are on deposit in an escrow account until pending litigation between the State and the manufacturers is resolved. The State contends it has met its obligations under the MSA and is due the payments withheld.

The moneys provide funding for the construction of primary and secondary school capital facilities, education technology for primary and secondary education and for higher education, programs for smoking cessation and other health-related purposes, biomedical research and technology, and assistance to tobacco-growing areas in Ohio.



# STATE OF OHIO

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 20 RISK FINANCING

#### A. Workers' Compensation Benefits

The Ohio Workers' Compensation System, which the Bureau of Workers' Compensation and the Industrial Commission administer, is the exclusive provider of workers' compensation insurance to private and public employers in Ohio who are not self-insured. The Workers' Compensation Enterprise Fund provides benefits to employees for losses sustained from job-related injury, disease, or death.

The "Benefits Payable" account balance reported in the Workers' Compensation Enterprise Fund, as of June 30, 2006, in the amount of approximately \$17.25 billion includes reserves for indemnity and medical claims resulting from work-related injuries or illnesses, including actuarial estimates for both reported claims and claims incurred but not reported. The liability is based on the estimated ultimate cost of settling claims, including the effects of inflation and other societal and economic factors and projections as to future events, including claims frequency, severity, persistency, and inflationary trends for medical claims reserves. The compensation adjustment expenses liability, which is included in "Other Liabilities" in the amount of approximately \$1.68 billion, is an estimate of future expenses to be incurred in the settlement of claims. The estimate for this liability is based on projected claim-related expenses, estimated costs of the managed care Health Partnership Program, and the reserve for compensation.

Management of the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio believes that the recorded reserves for compensation and compensation adjustment expenses make for a reasonable and appropriate provision for expected future losses. While management uses available information to estimate the reserves for compensation and compensation adjustment ex-

penses, future changes to the reserves for compensation and compensation adjustment expenses may be necessary based on claims experience and changing claims frequency and severity conditions. The methods of making such estimates and for establishing the resulting liabilities are reviewed quarterly and updated based on current circumstances. Any adjustments resulting from changes in estimates are recognized in the current period.

Benefits payable and the compensation adjustment expenses liability have been discounted at 5.25 percent to reflect the present value of future benefit payments. The selected discount rate approximates an average yield on United States government securities with durations similar to the expected claims underlying the Fund's reserves. The undiscounted reserves for the benefits and compensation adjustment expenses totaled \$37.7 billion, as of June 30, 2006, and \$38.6 billion, as of June 30, 2005. For additional information, refer to the Fund's separate audited financial report, for the fiscal year ended June 30, 2006.

Changes in the balance of benefits payable and the compensation adjustment expenses liability for the Workers' Compensation Program during the past two fiscal years are presented in the table below.

#### B. State Employee Healthcare Plans

Employees of the primary government have the option of participating in the Ohio Med Health Plan, the United Healthcare Plan, or the Aetna Plan, which are fully self-insured health benefit plans.

Ohio Med, a preferred provider organization, was established July 1, 1989. Medical Mutual of Ohio administers the Ohio Med plan under a claims administration contract with the primary government.

**Primary Government  
Changes in Workers' Compensation Benefits Payable  
and Compensation Adjustment Expenses Liability  
Last Two Fiscal Years**  
*(dollars in millions)*

	Fiscal Year 2006	Fiscal Year 2005
Benefits Payable and Compensation Adjustment Expenses Liability, as of July 1.....	\$19,299	\$18,773
Incurred Compensation and Compensation Adjustment Benefits.....	1,934	2,916
Incurred Compensation and Compensation Adjustment Benefit Payments and Other Adjustments.....	(2,306)	(2,390)
Benefits Payable and Compensation Adjustment Expenses Liability, as of June 30 .....	<u>\$18,927</u>	<u>\$19,299</u>



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 20 RISK FINANCING (Continued)

The United Healthcare and the Aetna plans, originally health maintenance organizations, became self-insured healthcare plans of the State on July 1, 2002 and July 1, 2005, respectively.

Both plans have contracts with the primary government to serve as claims administrator. Benefits offered while under the State's administration are essentially the same as the benefits offered before the two plans became self-insured arrangements.

When it is probable that a loss has occurred and the amount of the loss can be reasonably estimated, the primary government reports liabilities for the governmental and proprietary funds. Liabilities include an amount for claims that have been incurred but not reported. The plans' actuaries calculate estimated claims liabilities based on prior claims data, employee enrollment figures, medical trends, and experience.

Governmental and proprietary funds pay a share of the costs for claims settlement based on the number of employees opting for plan participation and the type of coverage selected by participants. The payments are reported in the Payroll Withholding and Fringe Benefits Agency Fund until such time that the primary government pays the accumulated resources to Medical Mutual of Ohio or United Healthcare for claims settlement.

For governmental funds, the primary government recognizes claims as expenditures to the extent that the amounts are payable with expendable available financial resources. For governmental and business-type activities, claims are recognized in the Statement of Activities as expenses when incurred.

As of June 30, 2006, approximately \$144.9 million in total assets was available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims for the Ohio Med Health Plan. Changes in the balance of claims liabilities for the plan during the past two fiscal years were as follows (dollars in thousands):

#### Ohio Med Health Plan

	Fiscal Year 2006	Fiscal Year 2005
Claims Liabilities, as of July 1 ....	\$ 41,492	\$ 40,917
Incurred Claims .....	212,466	232,337
Claims Payments .....	(218,296)	(231,762)
Claims Liabilities, as of June 30 .	<u>\$ 35,662</u>	<u>\$ 41,492</u>

As of June 30, 2006, the resources on deposit in the Agency Fund for the Ohio Med Health Plan exceeded the estimated claims liability by approxi-

mately \$109.2 million, thereby resulting in a funding surplus. Ninety percent or \$92.8 million of the surplus, representing the employer share, was reallocated back to the governmental and proprietary funds, with a resulting reduction in expenditures/expenses.

As of June 30, 2006, no assets were available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims incurred by June 30 for the United Healthcare Plan, thereby resulting in a funding deficit. Changes in the balance of claims liabilities for the plan during the past fiscal year were as follows (dollars in thousands):

#### United Healthcare Plan

	Fiscal Year 2006	Fiscal Year 2005
Claims Liabilities, as of July 1 ....	\$ 6,969	\$ 7,544
Incurred Claims .....	155,894	101,231
Claims Payments .....	(155,178)	(101,806)
Claims Liabilities, as of June 30 .	<u>\$ 7,685</u>	<u>\$ 6,969</u>

As of June 30, 2006, approximately \$22.1 million in total assets was available in the Payroll Withholding and Fringe Benefits Agency Fund to cover claims incurred by June 30 for the Aetna Plan, thereby resulting in a funding surplus. Changes in the balance of claims liabilities for the plan during the past fiscal year were as follows (dollars in thousands):

#### Aetna Plan

	Fiscal Year 2006
Claims Liabilities, as of July 1 .....	\$ —
Incurred Claims .....	49,806
Claims Payments .....	(41,612)
Claims Liabilities, as of June 30 .....	<u>\$ 8,194</u>

For the resulting funding deficit and funding surplus of the United Healthcare and Aetna plans, respectively, the financial statements do not reflect adjustments to the expenses/expenditures of the governmental and proprietary funds, since the adjustments were judged not to be significant.

#### C. Other Risk Financing Programs

The primary government has established programs to advance fund potential losses for vehicular liability and theft in office. The potential amount of loss arising from these risks, however, is not considered material in relation to the State's financial position.



**STATE OF OHIO**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2006**

**NOTE 21 SUBSEQUENT EVENTS**

**A. Bond Issuances**

Subsequent to June 30, 2006 (December 31, 2005 for the Ohio Water Development Authority), the State issued major debt as detailed in the table below.

<b>Debt Issuances Subsequent to June 30, 2006 (dollars in thousands)</b>			
	Date Issued	Net Interest Rate or True Interest Cost	Amount
<b>Primary Government:</b>			
<i>Ohio Public Facilities Commission-General Obligation Bonds:</i>			
Third Frontier Research and Development, Series 2006A .....	08/01/06	3.99%	\$ 50,000
Common Schools Capital Facilities, Series 2006D.....	09/26/06	4.12%	250,000
Infrastructure Improvements, Series 2006A .....	10/25/06	4.33%	120,000
Site Development, Series 2006A .....	11/13/06	3.76%	30,000
Higher Education Facilities, Series 2006B .....	12/07/06	4.17%	150,000
Common Schools Capital Facilities, Series 2007A.....	3/08/07	4.16%	<u>250,000</u>
Total General Obligation Bonds .....			<u>850,000</u>
<i>Treasurer of State-Revenue Bonds:</i>			
State Infrastructure Bank, Series 2006-1 .....	09/13/06	3.89%	<u>180,000</u>
Total Revenue Bonds.....			<u>180,000</u>
<i>Treasurer of State-Special Obligation Bonds:</i>			
Mental Health Capital Facilities, Series II-2006A .....	07/26/06	4.20%	30,000
Parks and Recreation Facilities, Refunding Series II-2006A .....	11/30/06	3.79%	15,410
Mental Health Capital Facilities, Series II-2006B.....	11/30/06	3.78%	26,775
Cultural Facilities, Series II-2006A .....	11/30/06	3.99%	25,000
Cultural Facilities, Refunding Series II-2006B .....	11/30/06	3.77%	28,295
<i>Ohio Building Authority-Special Obligation Bonds:</i>			
State Facilities (Administrative Building), Series 2006A .....	09/21/06	3.86%	40,000
State Facilities (Administrative Building), Refunding Series 2006B .....	09/21/06	3.96%	<u>70,335</u>
Total Special Obligation Bonds .....			<u>235,815</u>
<i>Ohio Department of Administrative Services-</i>			
<i>Certificates of Participation:</i>			
Ohio Administrative Knowledge System, Series 2006A .....	11/30/06	3.97%	<u>31,860</u>
Total Certificates of Participation .....			<u>31,860</u>
Total Primary Government .....			<u>\$1,297,675</u>
<b>Major Component Units:</b>			
<i>Ohio Water Development Authority Bonds:</i>			
Rural Development Advance, Series 2006A .....	04/27/06	4.00-5.00%*	\$ 31,000
Fresh Water, Refunding Series 2006A .....	10/03/06	4.00-5.25%*	<u>51,975</u>
Total Ohio Water Development Authority .....			<u>\$ 82,975</u>
<i>University of Cincinnati Bonds:</i>			
Bond Anticipation Notes, Series 2006D .....	07/06/06	3.82%	\$ 20,025
Bond Anticipation Notes, Series 2006E .....	08/01/06	3.75%	15,000
General Receipts, Series 2007A .....	01/23/07	4.42%	78,445
General Receipts, Series 2007B .....	01/24/07	3.71%	39,955
Bond Anticipation Notes, Series 2007C .....	01/25/07	3.62%	<u>28,000</u>
Total University of Cincinnati .....			<u>\$ 181,425</u>

\*Interest Coupon Rate



## STATE OF OHIO NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2006

### **NOTE 21 SUBSEQUENT EVENTS (Continued)**

#### **B. Other Debt Transactions**

##### **Primary Government**

In August 2006, the State entered into two forward-starting constant maturity swaps to replace the existing BMA-based floating-to-fixed swaps on the Common Schools, Series 2005A and Series 2005B, variable-rate bonds. The swaps have a notional amount of \$183.2 million (\$91.6 million each) and will be effective on March 15, 2007 with a final maturity of March 15, 2025. The State will pay a fixed rate of 3.75 percent. The counterparty will pay a variable rate based on 62 percent of the 10-year LIBOR taxable index.

In October 2006, the State took delivery of approximately \$107.9 million in proceeds for the Taxable Development Assistance, Series 1998 refunding bonds based on a forward purchase refunding agreement entered into by the Treasurer of State in December 1998. The 1998 bonds were issued to advance refund approximately \$102 million in Tax-

able Development Assistance, Series 1996 bonds. The entire \$107.9 million of proceeds was used to redeem the Series 1996 bonds, including payment of a call premium.

##### **Component Units**

Subsequent to June 30, 2006, the University of Cincinnati entered into two capital leases in connection with the issuance of economic development bonds by Hamilton County, Ohio for the financing of two buildings of the King Highland Community Urban Redevelopment Corporation. The two leases total to \$42.7 million and have 32-year terms.

#### **C. Change in Reporting Entity — Combination of Component Units**

Effective July 1, 2006, the Ohio General Assembly enacted into law the combination of the University of Toledo and the Medical University of Ohio into one state university to be known as the University of Toledo.

# **REQUIRED SUPPLEMENTARY INFORMATION**



**STATE OF OHIO  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**JUNE 30, 2006**

***Infrastructure Assets Accounted for Using the Modified Approach***

**Pavement Network**

The Ohio Department of Transportation conducts annual condition assessments of its Pavement Network. The State manages its pavement system by means of annual, visual inspections by trained pavement technicians. Technicians rate the pavement using a scale of 1 (minimum) to 100 (maximum) based on a Pavement Condition Rating (PCR). This rating examines items such as cracking, potholes, deterioration of the pavement, and other factors. It does not include a detailed analysis of the pavement's subsurface conditions.

Ohio accounts for its pavement network in two subsystems: *Priority*, which comprises interstate highways, freeways, and multi-lane portions of the National Highway System, and *General*, which comprises two-lane routes outside of cities.

For the Priority Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 65, and to allow no more than 25 percent of the pavement to fall below a 65 PCR level. For the General Subsystem, it is the State's intention to maintain at least 75 percent of the pavement at a PCR level of at least 55, and to allow no more than 25 percent of the pavement to fall below a 55 PCR level.

**Pavement Network  
Condition Assessment Data**

**Priority Subsystem**

Calendar Year	Pavement Condition Ratings (PCR)								Total	
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 65-74		Poor PCR = Below 65			
Calendar Year	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2005	8,581	68.65	1,962	15.69	1,505	12.04	452	3.62	12,500	100.00
2004	8,110	65.64	2,140	17.32	1,544	12.50	561	4.54	12,355	100.00
2003	7,679	62.81	2,451	20.05	1,618	13.24	477	3.90	12,225	100.00
2002	7,483	61.29	2,498	20.46	1,849	15.14	380	3.11	12,210	100.00
2001	6,753	55.74	2,688	22.19	2,162	17.85	511	4.22	12,114	100.00

**General Subsystem**

Calendar Year	Pavement Condition Ratings (PCR)								Total	
	Excellent PCR = 85-100		Good PCR = 75-84		Fair PCR = 55-74		Poor PCR = Below 55			
Calendar Year	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%	Lane-Miles	%
2005	13,623	45.16	6,813	22.58	9,161	30.37	571	1.89	30,168	100.00
2004	13,570	44.92	6,550	21.68	9,423	31.20	664	2.20	30,207	100.00
2003	12,634	41.77	6,378	21.09	10,910	36.07	324	1.07	30,246	100.00
2002	11,997	39.57	6,496	21.43	11,278	37.20	546	1.80	30,317	100.00
2001	10,635	34.89	6,547	21.47	12,393	40.65	912	2.99	30,487	100.00



**STATE OF OHIO  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**JUNE 30, 2006**

***Infrastructure Assets Accounted for Using the Modified Approach (Continued)***

**Pavement Network**  
**Comparison of Estimated-to-Actual Maintenance and Preservation Costs**  
*(dollars in thousands)*

**Priority Subsystem**

Fiscal Year	Estimated	Actual
2006	\$376,588	\$410,049
2005	337,213	350,368
2004	195,333	273,318
2003	243,722	273,834
2002	251,216	319,518

**General Subsystem**

Fiscal Year	Estimated	Actual
2006	\$214,826	\$312,105
2005	197,716	292,303
2004	133,236	227,437
2003	135,149	209,530
2002	110,956	151,978

**Bridge Network**

The Ohio Department of Transportation conducts annual inspections of all bridges in the State's Bridge Network. The inspections cover major structural items such as piers and abutments, and assign a General Appraisal Condition Rating (GACR) from 0 (minimum) to nine (maximum) based on a composite measure of these major structural items.

It is the State's intention to maintain at least 85 percent of the square feet of deck area at a general appraisal condition rating level of at least five, and to allow no more than 15 percent of the number of square feet of deck area to fall below a general appraisal condition rating level of five.

**Bridge Network**  
**Condition Assessment Data**  
*(square feet in thousands)*

Calendar Year	General Appraisal Condition Ratings (GACR)							
	Excellent GACR = 7-9		Good GACR = 5-6		Fair GACR = 3-4		Poor GACR = 0-2	
	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%	Sq Ft Deck Area	%
2005	46,071	55.21	35,091	42.05	2,274	2.73	7	.01
2004	45,895	55.50	34,459	41.68	2,317	2.80	13	.02
2003	47,046	57.19	32,972	40.08	2,224	2.71	18	.02
2002	45,144	56.01	33,067	41.02	2,388	2.96	9	.01
2001	43,395	53.56	34,899	43.08	2,688	3.32	30	.04
							Sq Ft Deck Area	%
							83,443	100.00
							82,684	100.00
							82,260	100.00
							80,608	100.00
							81,012	100.00



STATE OF OHIO  
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

JUNE 30, 2006

***Infrastructure Assets Accounted for Using the Modified Approach (Continued)***

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**Bridge Network**  
**Comparison of Estimated-to-Actual Maintenance and Preservation Costs**  
(dollars in thousands)

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Fiscal Year	Estimated	Actual
2006	\$246,095	\$262,027
2005	241,670	231,864
2004	147,779	208,381
2003	180,358	229,077
2002	192,105	210,084

# **COMBINING FINANCIAL STATEMENTS AND SCHEDULES**

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## ***NONMAJOR GOVERNMENTAL FUNDS***

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### **Special Revenue Funds**

The Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

### **Debt Service Funds**

The Debt Service Funds account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

### **Capital Projects Funds**

The Capital Projects Funds account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)

	<b>SPECIAL REVENUE FUNDS</b>	<b>DEBT SERVICE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 2,263,487	\$ 7,215	\$ 263,613
Cash and Cash Equivalents .....	80,982	823	—
Investments .....	337,602	28,558	53,736
Collateral on Lent Securities .....	1,280,560	4,080	149,093
Taxes Receivable .....	4,832	—	—
Intergovernmental Receivable .....	324,746	—	—
Loans Receivable, Net .....	608,266	—	—
Interfund Receivable .....	3,798	—	—
Other Receivables .....	223,231	8	203
Other Assets .....	13,674	25	—
<b>TOTAL ASSETS</b> .....	<b>\$ 5,141,178</b>	<b>\$ 40,709</b>	<b>\$ 466,645</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 181,064	\$ 2	\$ 29,067
Accrued Liabilities .....	43,233	22	—
Medicaid Claims Payable .....	115,989	—	—
Obligations Under Securities Lending .....	1,280,560	4,080	149,093
Intergovernmental Payable .....	210,730	—	—
Interfund Payable .....	131,155	—	—
Payable to Component Units .....	29,256	35	—
Deferred Revenue .....	291,226	—	—
Unearned Revenue .....	46,329	—	—
Refund and Other Liabilities .....	—	2,458	—
<b>TOTAL LIABILITIES</b> .....	<b>2,329,542</b>	<b>6,597</b>	<b>178,160</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service .....	—	34,109	—
Encumbrances .....	1,058,744	—	454,076
Noncurrent Portion of Loans Receivable .....	595,971	—	—
Loan Commitments .....	101,443	—	—
Federal Programs .....	37,998	—	—
Other:			
Prepays .....	5,512	—	—
Ohio Enterprise Bond Program .....	10,000	—	—
Loan Guarantee Programs .....	6,794	—	—
Assets in Excess of Debt Service Requirements .....	—	3	—
Compensated Absences .....	9,748	—	—
Unreserved/Undesignated (Deficits) .....	985,426	—	(165,591)
<b>TOTAL FUND BALANCES</b> .....	<b>2,811,636</b>	<b>34,112</b>	<b>288,485</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> ...	<b>\$ 5,141,178</b>	<b>\$ 40,709</b>	<b>\$ 466,645</b>

TOTAL

\$	2,534,315
	81,805
	419,896
	1,433,733
	4,832
	324,746
	608,266
	3,798
	223,442
	13,699
<hr/>	<hr/>
\$	<b>5,648,532</b>

\$	210,133
	43,255
	115,989
	1,433,733
	210,730
	131,155
	29,291
	291,226
	46,329
	2,458
<hr/>	<hr/>
	2,514,299

	34,109
	1,512,820
	595,971
	101,443
	37,998
	5,512
	10,000
	6,794
	3
	9,748
	819,835
<hr/>	<hr/>
	3,134,233
<hr/>	<hr/>
\$	<b>5,648,532</b>

# **STATE OF OHIO**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006 (dollars in thousands)**

	<b>SPECIAL REVENUE FUNDS</b>	<b>DEBT SERVICE FUNDS</b>	<b>CAPITAL PROJECTS FUNDS</b>
<b>REVENUES:</b>			
Income Taxes .....	\$ 7,505	\$ —	\$ —
Sales Taxes .....	19,808	—	—
Corporate and Public Utility Taxes .....	3,519	—	—
Motor Vehicle Fuel Taxes .....	24,133	—	—
Cigarette Taxes .....	1	—	—
Other Taxes .....	40,849	—	—
Licenses, Permits and Fees .....	974,518	—	—
Sales, Services and Charges .....	28,376	—	57
Federal Government .....	2,154,299	—	—
Tobacco Settlement .....	294,725	—	—
Investment Income .....	70,880	5,993	13,528
Other .....	295,710	1,916	546
<b>TOTAL REVENUES</b> .....	<b>3,914,323</b>	<b>7,909</b>	<b>14,131</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	228,781	—	—
Higher Education Support .....	280,959	—	—
Public Assistance and Medicaid .....	3,040	—	—
Health and Human Services .....	1,712,343	—	—
Justice and Public Protection .....	696,721	—	—
Environmental Protection and Natural Resources .....	298,047	—	—
Transportation .....	571	—	—
General Government .....	270,378	—	—
Community and Economic Development .....	895,684	—	—
<b>CAPITAL OUTLAY</b> .....	<b>19,043</b>	—	464,769
<b>DEBT SERVICE</b> .....	<b>—</b>	<b>1,456,404</b>	<b>2,325</b>
<b>TOTAL EXPENDITURES</b> .....	<b>4,405,567</b>	<b>1,456,404</b>	<b>467,094</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....			
	<b>(491,244)</b>	<b>(1,448,495)</b>	<b>(452,963)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	569,261	1,635	323,981
Refunding Bonds Issued .....	—	156,240	—
Payment to Refunded Bond Escrow Agents .....	—	(172,770)	—
Premiums .....	—	67,502	3,052
Transfers-in .....	173,824	1,367,998	—
Transfers-out .....	(75,048)	(874)	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>668,037</b>	<b>1,419,731</b>	<b>327,033</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>176,793</b>	<b>(28,764)</b>	<b>(125,930)</b>
<b>FUND BALANCES, JULY 1 (as restated)</b> .....	<b>2,634,843</b>	<b>62,876</b>	<b>414,415</b>
<b>FUND BALANCES, JUNE 30</b> .....	<b>\$ 2,811,636</b>	<b>\$ 34,112</b>	<b>\$ 288,485</b>

**TOTAL**

\$	7,505
	19,808
	3,519
	24,133
	1
	40,849
	974,518
	28,433
	2,154,299
	294,725
	90,401
	298,172
	<b><u>3,936,363</u></b>

228,781
280,959
3,040
1,712,343
696,721
298,047
571
270,378
895,684
483,812
1,458,729
<b><u>6,329,065</u></b>

**(2,392,702)**

894,877
156,240
(172,770)
70,554
1,541,822
(75,922)
<b><u>2,414,801</u></b>

**22,099**

<b><u>3,112,134</u></b>
-------------------------

**\$ 3,134,233**

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## ***NONMAJOR SPECIAL REVENUE FUNDS***

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**Special Revenue Funds** account for specific revenues that are legally restricted to expenditure for particular purposes.

The **Community and Economic Development Fund** accounts for programs administered by the Department of Development and other various state agencies, which were created to assure the efficient use of resources for the State's community and economic growth and development.

The **Health Fund** accounts for public health programs primarily administered by the Department of Health, which promotes the prevention and treatment of diseases and illnesses through technical assistance, health education, and research.

The **Mental Health and Retardation Fund** accounts for mental health care and retardation programs primarily administered by the Department of Mental Health and the Department of Mental Retardation and Developmental Disabilities, which provide assistance, services, and medical care to those individuals with mental health and developmental disability problems.

The **Highway Safety Fund** accounts for public safety programs primarily administered by the Department of Public Safety, which enforces traffic-related laws for the purpose of reducing accidents, deaths, injuries, and property damages on Ohio's highways.

The **Natural Resources Fund** accounts for environmental programs administered by the Department of Natural Resources, the Environmental Protection Agency, and other various state agencies, which promote, protect, and manage the State's natural resources and environment.

The **Wildlife and Waterways Safety Fund** accounts for programs administered by the Department of Natural Resources' Divisions of Wildlife and Watercraft, which promote, protect, and manage the State's wildlife and waterways and which provide technical assistance and education to the public.

The **Local Infrastructure and Transportation Improvements Fund** accounts for the Local Transportation Improvement Program administered by the Ohio Public Works Commission, which provides grants and loans to local governments for highway, road, and bridge construction.

The **Tobacco Settlement Fund** accounts for various health, education, economic, and law enforcement-related programs funded with moneys received under the Master Settlement Agreement with the nation's largest tobacco companies.

The **Clean Ohio Program Fund** accounts for programs that assist local communities in the clean-up and redevelopment of brownfield sites, the protection of green space, the preservation of farmland, the improvement of water quality, and the expansion of Ohio's network of recreational trails and greenways.

The **Higher Education Improvements Fund** accounts for bond proceeds that finance the construction of facilities for state-assisted higher education institutions.

The **Help America Vote Act (HAVA) Fund** accounts for federal funds received for the purchase and deployment of HAVA-certified voting systems in Ohio, as provided in the HAVA Act of 2002.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)

	<b>COMMUNITY AND ECONOMIC DEVELOPMENT</b>	<b>HEALTH</b>	<b>MENTAL HEALTH AND RETARDATION</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 724,005	\$ 58,281	\$ 114,079
Cash and Cash Equivalents .....	72,535	119	—
Investments .....	9,058	—	—
Collateral on Lent Securities .....	409,478	32,962	64,520
Taxes Receivable .....	1,535	—	—
Intergovernmental Receivable .....	48,015	35,016	238,241
Loans Receivable, Net .....	315,945	—	—
Interfund Receivable .....	2,772	—	—
Other Receivables .....	—	12,548	338
Other Assets .....	1,589	8,450	719
<b>TOTAL ASSETS</b> .....	<b>\$ 1,584,932</b>	<b>\$ 147,376</b>	<b>\$ 417,897</b>

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts Payable .....	\$ 33,188	\$ 26,771	\$ 6,765
Accrued Liabilities .....	10,022	3,853	5,496
Medicaid Claims Payable .....	—	—	115,989
Obligations Under Securities Lending .....	409,478	32,962	64,520
Intergovernmental Payable .....	29,890	20,696	126,614
Interfund Payable .....	17,361	4,848	68,288
Payable to Component Units .....	311	210	68
Deferred Revenue .....	6,447	12,632	66,414
Unearned Revenue .....	21,956	7,007	—
<b>TOTAL LIABILITIES</b> .....	<b>528,653</b>	<b>108,979</b>	<b>454,154</b>

**FUND BALANCES:**

Reserved for:

Encumbrances .....	539,346	18,015	80,670
Noncurrent Portion of Loans Receivable .....	305,818	—	—
Loan Commitments .....	19,769	—	—
Federal Programs .....	7,729	490	16,242
Other:			
Prepays .....	1,419	439	719
Ohio Enterprise Bond Program .....	10,000	—	—
Loan Guarantee Programs .....	6,794	—	—
Compensated Absences .....	2,272	861	1,252
Unreserved/Undesignated (Deficits) .....	163,132	18,592	(135,140)
<b>TOTAL FUND BALANCES (DEFICITS)</b> .....	<b>1,056,279</b>	<b>38,397</b>	<b>(36,257)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> ...	<b>\$ 1,584,932</b>	<b>\$ 147,376</b>	<b>\$ 417,897</b>

<b>HIGHWAY SAFETY</b>	<b>NATURAL RESOURCES</b>	<b>WILDLIFE AND WATERWAYS SAFETY</b>	<b>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</b>	<b>TOBACCO SETTLEMENT</b>	<b>CLEAN OHIO PROGRAM</b>
\$ 293,434	\$ 186,162	\$ 67,701	\$ 229,671	\$ 303,275	\$ 99,049
3,875	605	11	—	3,837	—
—	—	—	—	328,544	—
166,116	105,289	38,291	129,896	171,756	56,020
—	1,674	1,623	—	—	—
3,474	—	—	—	—	—
—	2	—	292,319	—	—
665	359	2	—	—	—
908	7,313	395	—	201,729	—
1,903	657	315	5	27	3
<b>\$ 470,375</b>	<b>\$ 302,061</b>	<b>\$ 108,338</b>	<b>\$ 651,891</b>	<b>\$ 1,009,168</b>	<b>\$ 155,072</b>
\$ 8,392	\$ 8,582	\$ 2,057	\$ 4,415	\$ 68,971	\$ 1,979
15,143	5,848	2,538	48	235	29
—	—	—	—	—	—
166,116	105,289	38,291	129,896	171,756	56,020
17	4,529	—	1,338	24,897	2,749
28,609	4,572	7,320	—	119	24
61	94	8	—	98	1
519	4,301	—	—	200,913	—
752	1,701	5	—	—	—
<b>219,609</b>	<b>134,916</b>	<b>50,219</b>	<b>135,697</b>	<b>466,989</b>	<b>60,802</b>
29,892	45,784	17,209	2	15,269	95,228
—	—	—	290,153	—	—
—	—	—	81,674	—	—
1,361	11,924	—	—	—	252
1,903	657	315	5	46	3
—	—	—	—	—	—
3,396	1,332	554	11	54	6
214,214	107,448	40,041	144,349	526,810	(1,219)
<b>250,766</b>	<b>167,145</b>	<b>58,119</b>	<b>516,194</b>	<b>542,179</b>	<b>94,270</b>
<b>\$ 470,375</b>	<b>\$ 302,061</b>	<b>\$ 108,338</b>	<b>\$ 651,891</b>	<b>\$ 1,009,168</b>	<b>\$ 155,072</b>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)  
(continued)

	<b>HIGHER EDUCATION IMPROVEMENTS</b>	<b>HELP AMERICA VOTE ACT</b>	<b>TOTAL</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 164,701	\$ 23,129	\$ 2,263,487
Cash and Cash Equivalents .....	—	—	80,982
Investments .....	—	—	337,602
Collateral on Lent Securities .....	93,151	13,081	1,280,560
Taxes Receivable .....	—	—	4,832
Intergovernmental Receivable .....	—	—	324,746
Loans Receivable, Net .....	—	—	608,266
Interfund Receivable .....	—	—	3,798
Other Receivables .....	—	—	223,231
Other Assets .....	—	6	13,674
<b>TOTAL ASSETS</b> .....	<b>\$ 257,852</b>	<b>\$ 36,216</b>	<b>\$ 5,141,178</b>

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts Payable .....	\$ 11,768	\$ 8,176	\$ 181,064
Accrued Liabilities .....	—	21	43,233
Medicaid Claims Payable .....	—	—	115,989
Obligations Under Securities Lending .....	93,151	13,081	1,280,560
Intergovernmental Payable .....	—	—	210,730
Interfund Payable .....	—	14	131,155
Payable to Component Units .....	28,405	—	29,256
Deferred Revenue .....	—	—	291,226
Unearned Revenue .....	—	14,908	46,329
<b>TOTAL LIABILITIES</b> .....	<b>133,324</b>	<b>36,200</b>	<b>2,329,542</b>

**FUND BALANCES:**

Reserved for:

Encumbrances .....	207,731	9,598	1,058,744
Noncurrent Portion of Loans Receivable .....	—	—	595,971
Loan Commitments .....	—	—	101,443
Federal Programs .....	—	—	37,998
Other:			
Prepays .....	—	6	5,512
Ohio Enterprise Bond Program .....	—	—	10,000
Loan Guarantee Programs .....	—	—	6,794
Compensated Absences .....	—	10	9,748
Unreserved/Undesignated (Deficits) .....	(83,203)	(9,598)	985,426
<b>TOTAL FUND BALANCES (DEFICITS)</b> .....	<b>124,528</b>	<b>16</b>	<b>2,811,636</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 257,852</b>	<b>\$ 36,216</b>	<b>\$ 5,141,178</b>

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# **STATE OF OHIO**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**

### **CHANGES IN FUND BALANCES**

#### **NONMAJOR SPECIAL REVENUE FUNDS**

#### **FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

	<u>COMMUNITY AND ECONOMIC DEVELOPMENT</u>	<u>HEALTH</u>	<u>MENTAL HEALTH AND RETARDATION</u>
<b>REVENUES:</b>			
Income Taxes.....	\$ 7,505	\$ —	\$ —
Sales Taxes .....	19,808	—	—
Corporate and Public Utility Taxes.....	2,894	—	—
Motor Vehicle Fuel Taxes.....	6,151	—	—
Cigarette Taxes .....	1	—	—
Other Taxes .....	31,948	—	—
Licenses, Permits and Fees.....	471,315	27,618	96
Sales, Services and Charges.....	9,508	33	51
Federal Government.....	541,888	440,397	971,435
Tobacco Settlement.....	—	—	—
Investment Income.....	12,866	236	—
Other.....	45,498	28,158	151,407
<b>TOTAL REVENUES</b> .....	<b>1,149,382</b>	<b>496,442</b>	<b>1,122,989</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	553	—	—
Higher Education Support.....	—	—	—
Public Assistance and Medicaid.....	—	—	40
Health and Human Services.....	—	511,175	1,152,782
Justice and Public Protection .....	292,207	1	—
Environmental Protection and Natural Resources .....	491	—	—
Transportation.....	571	—	—
General Government .....	161,817	406	—
Community and Economic Development.....	631,533	2,071	—
<b>CAPITAL OUTLAY</b> .....	<b>11,449</b>	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>1,098,621</b>	<b>513,653</b>	<b>1,152,822</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....			
	<b>50,761</b>	<b>(17,211)</b>	<b>(29,833)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....	49,261	—	—
Transfers-in.....	12,702	13,494	11,292
Transfers-out .....	(39,445)	(480)	(2,358)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>22,518</b>	<b>13,014</b>	<b>8,934</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>73,279</b>	<b>(4,197)</b>	<b>(20,899)</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated)</b> .....	<b>983,000</b>	<b>42,594</b>	<b>(15,358)</b>
<b>FUND BALANCES (DEFICITS), JUNE 30</b> .....	<b>\$ 1,056,279</b>	<b>\$ 38,397</b>	<b>\$ (36,257)</b>

<b>HIGHWAY SAFETY</b>	<b>NATURAL RESOURCES</b>	<b>WILDLIFE AND WATERWAYS SAFETY</b>	<b>LOCAL INFRASTRUCTURE AND TRANSPORTATION IMPROVEMENTS</b>	<b>TOBACCO SETTLEMENT</b>	<b>CLEAN OHIO PROGRAM</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	625	—	—	—	—
—	—	17,982	—	—	—
—	—	—	—	—	—
1,492	7,409	—	—	—	—
309,166	125,176	41,147	—	—	—
15,732	2,631	421	—	—	—
19,720	55,669	20,003	—	—	1,634
—	—	—	—	294,725	—
10,345	863	2,043	8,458	28,544	2,340
35,380	30,065	3,291	1,052	529	106
<b>391,835</b>	<b>222,438</b>	<b>84,887</b>	<b>9,510</b>	<b>323,798</b>	<b>4,080</b>
—	—	—	—	228,228	—
—	—	—	—	—	—
—	—	—	—	3,000	—
231	—	—	—	48,155	—
395,335	409	—	—	8,769	—
—	207,285	75,858	—	10,367	4,046
—	—	—	—	—	—
—	4,386	—	—	228	—
—	3,210	—	169,226	41,697	47,947
3,375	—	4,219	—	—	—
<b>398,941</b>	<b>215,290</b>	<b>80,077</b>	<b>169,226</b>	<b>340,444</b>	<b>51,993</b>
<b>(7,106)</b>	<b>7,148</b>	<b>4,810</b>	<b>(159,716)</b>	<b>(16,646)</b>	<b>(47,913)</b>
—	—	—	120,000	—	100,000
63,012	3,880	735	63,830	—	—
(19,899)	(1,150)	(816)	—	(5,927)	(4)
<b>43,113</b>	<b>2,730</b>	<b>(81)</b>	<b>183,830</b>	<b>(5,927)</b>	<b>99,996</b>
<b>36,007</b>	<b>9,878</b>	<b>4,729</b>	<b>24,114</b>	<b>(22,573)</b>	<b>52,083</b>
<b>214,759</b>	<b>157,267</b>	<b>53,390</b>	<b>492,080</b>	<b>564,752</b>	<b>42,187</b>
<b>\$ 250,766</b>	<b>\$ 167,145</b>	<b>\$ 58,119</b>	<b>\$ 516,194</b>	<b>\$ 542,179</b>	<b>\$ 94,270</b>

(continued)

# **STATE OF OHIO**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

### **NONMAJOR SPECIAL REVENUE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

(continued)

	<u>HIGHER EDUCATION IMPROVEMENTS</u>	<u>HELP AMERICA VOTE ACT</u>	<u>TOTAL</u>
<b>REVENUES:</b>			
Income Taxes . . . . .	\$ —	\$ —	\$ 7,505
Sales Taxes . . . . .	—	—	19,808
Corporate and Public Utility Taxes . . . . .	—	—	3,519
Motor Vehicle Fuel Taxes . . . . .	—	—	24,133
Cigarette Taxes . . . . .	—	—	1
Other Taxes . . . . .	—	—	40,849
Licenses, Permits and Fees . . . . .	—	—	974,518
Sales, Services and Charges . . . . .	—	—	28,376
Federal Government . . . . .	—	103,553	2,154,299
Tobacco Settlement . . . . .	—	—	294,725
Investment Income . . . . .	5,185	—	70,880
Other . . . . .	219	5	295,710
<b>TOTAL REVENUES</b> . . . . .	<b>5,404</b>	<b>103,558</b>	<b>3,914,323</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education . . . . .	—	—	228,781
Higher Education Support . . . . .	280,959	—	280,959
Public Assistance and Medicaid . . . . .	—	—	3,040
Health and Human Services . . . . .	—	—	1,712,343
Justice and Public Protection . . . . .	—	—	696,721
Environmental Protection and Natural Resources . . . . .	—	—	298,047
Transportation . . . . .	—	—	571
General Government . . . . .	—	103,541	270,378
Community and Economic Development . . . . .	—	—	895,684
<b>CAPITAL OUTLAY</b> . . . . .	—	—	19,043
<b>TOTAL EXPENDITURES</b> . . . . .	<b>280,959</b>	<b>103,541</b>	<b>4,405,567</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> . . . . .			
	<b>(275,555)</b>	<b>17</b>	<b>(491,244)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued . . . . .	300,000	—	569,261
Transfers-in . . . . .	—	4,879	173,824
Transfers-out . . . . .	(90)	(4,879)	(75,048)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> . . . . .	<b>299,910</b>	<b>—</b>	<b>668,037</b>
<b>NET CHANGE IN FUND BALANCES</b> . . . . .	<b>24,355</b>	<b>17</b>	<b>176,793</b>
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated)</b> . . . . .	<b>100,173</b>	<b>(1)</b>	<b>2,634,843</b>
<b>FUND BALANCES (DEFICITS), JUNE 30</b> . . . . .	<b>\$ 124,528</b>	<b>\$ 16</b>	<b>\$ 2,811,636</b>

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# STATE OF OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

	COMMUNITY AND ECONOMIC DEVELOPMENT				
	<u>BUDGET</u>		<u>ACTUAL</u>		<u>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</u>
	<u>FINAL</u>	<u>ACTUAL</u>			
<b>REVENUES:</b>					
Income Taxes .....		\$ 7,502			
Sales Taxes .....		19,508			
Corporate and Public Utility Taxes .....		2,894			
Motor Vehicle Fuel Taxes .....		6,135			
Cigarette Taxes.....		1			
Other Taxes .....		31,940			
Licenses, Permits and Fees .....		459,751			
Sales, Services and Charges .....		9,564			
Federal Government .....		576,626			
Tobacco Settlement.....		—			
Investment Income .....		10,224			
Other .....		98,743			
<b>TOTAL REVENUES.....</b>		<b>1,222,888</b>			
<b>BUDGETARY EXPENDITURES:</b>					
<b>CURRENT OPERATING:</b>					
Primary, Secondary and Other Education .....	\$ 1,769	790	\$ 979		
Higher Education Support .....	—	—	—		
Public Assistance and Medicaid .....	—	—	—		
Health and Human Services .....	—	—	—		
Justice and Public Protection .....	602,682	443,512	159,170		
Environmental Protection and Natural Resources .....	547	489	58		
Transportation .....	5,185	3,959	1,226		
General Government .....	207,757	184,630	23,127		
Community and Economic Development .....	1,418,670	1,171,335	247,335		
<b>CAPITAL OUTLAY .....</b>	<b>28,307</b>	<b>18,498</b>	<b>9,809</b>		
<b>DEBT SERVICE.....</b>	<b>1,387</b>	<b>—</b>	<b>1,387</b>		
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 2,266,304</b>	<b>1,823,213</b>	<b>\$ 443,091</b>		
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			<b>(600,325)</b>		
<b>OTHER FINANCING SOURCES (USES):</b>					
Bonds Issued .....		49,261			
Transfers-in .....		39,577			
Transfers-out .....		(72,491)			
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b>16,347</b>			
<b>NET CHANGE IN FUND BALANCES.....</b>			<b>(583,978)</b>		
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>					
Outstanding Encumbrances at Beginning of Fiscal Year		90,110			
		604,841			
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 110,973</b>			

HEALTH			MENTAL HEALTH AND RETARDATION		
BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
\$ —	\$ —		\$ —	\$ —	
—	—		—	—	
—	—		—	—	
—	—		—	—	
—	—		—	—	
34,622				96	
3,525				51	
448,275			2,176,920		
—			—		
236			—		
93,577			141,845		
<b>580,235</b>			<b>2,318,912</b>		
 \$ —	 \$ —	 \$ —	 \$ —	 \$ —	 \$ —
644,080	604,417	39,663	1,594,236	1,488,151	106,085
11	1	10	1,399,475	1,336,719	62,756
—	—	—	—	—	—
—	—	—	—	—	—
600	546	54	—	—	—
4,565	4,305	260	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<b>\$ 649,256</b>	<b>609,269</b>	<b>\$ 39,987</b>	<b>\$ 2,993,711</b>	<b>2,824,870</b>	<b>\$ 168,841</b>
 <b>(29,034)</b>				<b>(505,958)</b>	
—	—	—	—	—	—
1,982				1,890	
(89)				—	
<b>1,893</b>				<b>1,890</b>	
 <b>(27,141)</b>				<b>(504,068)</b>	
8,702			—	—	—
38,962			(328,442)		
 <b>\$ 20,523</b>			<b>417,735</b>		
				 <b>\$ (414,775)</b>	

(continued)

# STATE OF OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)  
(continued)

	<b>HIGHWAY SAFETY</b>		
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>			
Income Taxes .....		\$ —	
Sales Taxes .....		—	
Corporate and Public Utility Taxes .....		—	
Motor Vehicle Fuel Taxes .....		—	
Cigarette Taxes.....		—	
Other Taxes .....	1,492		
Licenses, Permits and Fees .....	308,233		
Sales, Services and Charges .....	15,771		
Federal Government .....	18,294		
Tobacco Settlement.....	—		
Investment Income .....	9,642		
Other .....	44,437		
<b>TOTAL REVENUES.....</b>	<b>397,869</b>		
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	\$ —	—	\$ —
Higher Education Support .....	—	—	—
Public Assistance and Medicaid .....	—	—	—
Health and Human Services .....	235	231	4
Justice and Public Protection .....	488,307	448,591	39,716
Environmental Protection and Natural Resources .....	—	—	—
Transportation .....	—	—	—
General Government .....	—	—	—
Community and Economic Development .....	—	—	—
<b>CAPITAL OUTLAY .....</b>	<b>7,647</b>	<b>4,537</b>	<b>3,110</b>
<b>DEBT SERVICE.....</b>	<b>13,387</b>	<b>13,218</b>	<b>169</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 509,576</b>	<b>466,577</b>	<b>\$ 42,999</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b>(68,708)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....		—	
Transfers-in .....		93,209	
Transfers-out .....		(36,776)	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>\$ 56,433</b>		
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(12,275)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>			
Outstanding Encumbrances at Beginning of Fiscal Year		216,859	
		33,171	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>	<b>\$ 237,755</b>		

NATURAL RESOURCES			WILDLIFE AND WATERWAYS SAFETY		
BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
\$ —	\$ —		\$ —	\$ —	
—	—		—	—	
625	—		—	—	
—	—		17,924	17,924	
—	—		—	—	
7,677	—		—	—	
122,734	—		41,110	41,110	
2,631	—		421	421	
58,678	—		20,003	20,003	
—	—		—	—	
863	—		2,043	2,043	
34,735	—		4,092	4,092	
<b>227,943</b>	<b>—</b>		<b>85,593</b>	<b>—</b>	
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
623	406	217	—	—	—
308,810	264,489	44,321	102,293	89,115	13,178
—	—	—	—	—	—
5,090	4,510	580	—	—	—
6,472	6,179	293	—	—	—
—	—	—	26,844	10,261	16,583
—	—	—	—	—	—
<b>\$ 320,995</b>	<b>275,584</b>	<b>\$ 45,411</b>	<b>\$ 129,137</b>	<b>99,376</b>	<b>\$ 29,761</b>
<b>(47,641)</b>				<b>(13,783)</b>	
—	—	—	—	—	—
9,471	—		3,005	3,005	
(6,300)	—		(3,000)	(3,000)	
<b>3,171</b>			<b>5</b>	<b>5</b>	
<b>(44,470)</b>			<b>(13,778)</b>	<b>(13,778)</b>	
120,851	—		46,812	46,812	
46,577	—		14,118	14,118	
<b>\$ 122,958</b>			<b>\$ 47,152</b>	<b>\$ 47,152</b>	

(continued)

# STATE OF OHIO

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

**NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)  
(continued)

**LOCAL INFRASTRUCTURE  
AND TRANSPORTATION IMPROVEMENTS**

	<b>BUDGET</b>			<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
		<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>				
Income Taxes .....		\$	—	
Sales Taxes .....			—	
Corporate and Public Utility Taxes .....			—	
Motor Vehicle Fuel Taxes .....			—	
Cigarette Taxes.....			—	
Other Taxes .....			—	
Licenses, Permits and Fees .....			—	
Sales, Services and Charges .....			—	
Federal Government .....			—	
Tobacco Settlement.....			—	
Investment Income .....	8,458			
Other .....	21,618			
<b>TOTAL REVENUES.....</b>	<b>30,076</b>			
<b>BUDGETARY EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Primary, Secondary and Other Education .....	\$	—	—	\$
Higher Education Support .....		—	—	—
Public Assistance and Medicaid .....		—	—	—
Health and Human Services .....		—	—	—
Justice and Public Protection .....		—	—	—
Environmental Protection and Natural Resources .....		—	—	—
Transportation .....		—	—	—
General Government .....		—	—	—
Community and Economic Development .....	558,780		215,259	343,521
<b>CAPITAL OUTLAY .....</b>				
<b>DEBT SERVICE.....</b>				
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 558,780</b>		<b>215,259</b>	<b>\$ 343,521</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>				
			<b>(185,183)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds Issued .....			120,000	
Transfers-in .....			63,830	
Transfers-out .....			—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>			<b>183,830</b>	
<b>NET CHANGE IN FUND BALANCES.....</b>			<b>(1,353)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>				
Outstanding Encumbrances at Beginning of Fiscal Year			230,981	
			8	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>		<b>\$ 229,636</b>		

*(continued)*

# STATE OF OHIO

*COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006*  
(dollars in thousands)  
(continued)

	<b>HIGHER EDUCATION IMPROVEMENTS</b>		
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>			
Income Taxes .....	\$ —	—	
Sales Taxes .....	—	—	
Corporate and Public Utility Taxes .....	—	—	
Motor Vehicle Fuel Taxes .....	—	—	
Cigarette Taxes.....	—	—	
Other Taxes .....	—	—	
Licenses, Permits and Fees .....	—	—	
Sales, Services and Charges .....	—	—	
Federal Government .....	—	—	
Tobacco Settlement.....	—	—	
Investment Income .....	5,185	—	
Other .....	219	—	
<b>TOTAL REVENUES.....</b>	<b>5,404</b>		
<b>BUDGETARY EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	\$ —	—	\$ —
Higher Education Support .....	889,603	514,116	375,487
Public Assistance and Medicaid .....	—	—	—
Health and Human Services .....	—	—	—
Justice and Public Protection .....	—	—	—
Environmental Protection and Natural Resources .....	—	—	—
Transportation .....	—	—	—
General Government .....	—	—	—
Community and Economic Development .....	—	—	—
<b>CAPITAL OUTLAY .....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>DEBT SERVICE.....</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 889,603</b>	<b>514,116</b>	<b>\$ 375,487</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
			<b>(508,712)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued .....	300,000	—	
Transfers-in .....	—	—	
Transfers-out .....	—	—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>300,000</b>		
<b>NET CHANGE IN FUND BALANCES.....</b>			<b>(208,712)</b>
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>			
Outstanding Encumbrances at Beginning of Fiscal Year	(82,264)	215,827	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>			<b>\$ (75,149)</b>

## HELP AMERICA VOTE ACT

## TOTAL

<i>BUDGET</i>		<i>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</i>	<i>BUDGET</i>		<i>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</i>
<i>FINAL</i>	<i>ACTUAL</i>		<i>FINAL</i>	<i>ACTUAL</i>	
\$ —			\$ —		\$ 7,502
					19,508
					3,519
					24,059
					1
					41,109
					966,546
					31,963
		1			3,300,431
					294,725
					44,773
		5			441,922
		6			<u><b>5,176,058</b></u>
\$ —			\$ —		\$ 979
					375,487
					106,085
					210,704
					199,686
					58,537
					1,226
142,562	114,026	28,536	356,237	303,936	52,301
			2,308,377	1,675,643	632,734
			62,798	33,296	29,502
			14,774	13,218	1,556
<u><b>\$ 142,562</b></u>	<u><b>114,026</b></u>	<u><b>\$ 28,536</b></u>	<u><b>\$ 8,944,838</b></u>	<u><b>\$ 7,276,041</b></u>	<u><b>\$ 1,668,797</b></u>
			<u><b>(114,020)</b></u>	<u><b>(2,099,983)</b></u>	
					569,261
		5,070			306,473
		(5,070)			(445,393)
		—			<u><b>430,341</b></u>
					<u><b>(1,669,642)</b></u>
					82,367
					36,985
					<u><b>577,796</b></u>
					<u><b>1,575,396</b></u>
					<u><b>\$ 5,332</b></u>
					<u><b>\$ 483,550</b></u>

## ***NONMAJOR DEBT SERVICE FUNDS***

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**Debt Service Funds** account for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The **Coal Research/Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 15 of Article VIII, Ohio Constitution, to finance coal research and development projects.

The **Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2f of Article VIII, Ohio Constitution, to finance the improvement of higher education facilities, public schools, and natural resources.

The **Highway Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2g of Article VIII, Ohio Constitution, to finance the acquisition of rights-of-way and the construction and reconstruction of the State's highways and urban extensions.

The **Development General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2h of Article VIII, Ohio Constitution, to finance the construction, improvement, and development of higher education facilities, public schools, and natural resources.

The **Highway General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the construction of the State's highways.

The **Public Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance water pollution controls and improvements at higher education facilities, parks, and natural resources.

The **Vietnam Conflict Compensation General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2j of Article VIII, Ohio Constitution, to provide funding for the compensation to Ohioans that served in the military during the Vietnam Conflict.

The **Local Infrastructure Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2k of Article VIII, Ohio Constitution, to finance the cost of local government's public infrastructure improvement projects.

The **State Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2l of Article VIII, Ohio Constitution, to finance capital improvements at state and local parks and other natural resources-related projects.

The **Highway Capital Improvements General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2m of Article VIII, Ohio Constitution, to finance capital improvements to the state highway system.

The **Higher Education Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of capital facilities for state-supported and state-assisted institutions of higher education, including those for technical education.

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**The Common Schools Capital Facilities General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2n of Article VIII, Ohio Constitution, to finance the costs of facilities for a system of common schools throughout Ohio.

**The Conservation Projects General Obligations Fund** accounts for the payment of principal and interest on general obligation bonds that have been authorized under Section 2o of Article VIII, Ohio Constitution, to finance the purchase of additional “greenspace” land or interest in land devoted to natural areas, open spaces, and agriculture.

**The Economic Development Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds issued to finance loans to individuals, corporations, and agencies within the State for economic development projects that create or retain jobs in the State.

**The Infrastructure Bank Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds that have been authorized under the authority of Section 5531.10, Ohio Revised Code, to finance the construction of the Spring-Sandusky Highway Project in Columbus.

**The Revitalization Project Revenue Bonds Fund** accounts for the payment of principal and interest on revenue bonds to finance the costs of environmentally safe and productive development, use, or reuse of publicly and privately owned lands, including those within urban areas.

**The Chapter 154 Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of higher education fa-

cilities, mental health facilities, and parks and recreation projects and state park facilities.

**The School Building Program Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds that have been authorized under Section 2i of Article VIII, Ohio Constitution, to finance the costs of school buildings and classroom facilities used by public school districts for elementary and secondary education purposes.

**The Ohio Building Authority Special Obligations Fund** accounts for the payment of principal and interest on special obligation bonds issued to finance the construction of state office buildings and the costs of capital improvements for the Departments of Administrative Services, Youth Services, Transportation, Rehabilitation and Correction, Natural Resources, and Public Safety and for the Cultural Facilities Commission.

**The Transportation Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that financed the acquisition of the Department of Transportation’s Panhandle Rail Line Project.

**The OAKS Certificates of Participation Fund** accounts for the payment of certificate of participation-related obligations that finance the State’s enterprise resource planning system project, known as the Ohio Administrative Knowledge System (OAKS).

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)

	<b>COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</b>	<b>IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>HIGHWAY IMPROVEMENTS GENERAL OBLIGATIONS</b>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 79	\$ —	\$ —
Cash and Cash Equivalents .....	—	130	55
Investments .....	—	—	—
Collateral on Lent Securities .....	44	—	—
Other Receivables .....	—	—	—
Other Assets .....	—	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 123</b>	<b>\$ 130</b>	<b>\$ 55</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ —	\$ —	\$ —
Accrued Liabilities .....	—	—	—
Obligations Under Securities Lending .....	44	—	—
Payable to Component Units .....	35	—	—
Refund and Other Liabilities .....	—	130	55
<b>TOTAL LIABILITIES</b> .....	<b>79</b>	<b>130</b>	<b>55</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Debt Service .....	44	—	—
Other:			
Assets in Excess of Debt Service Requirements .....	—	—	—
<b>TOTAL FUND BALANCES</b> .....	<b>44</b>	<b>—</b>	<b>—</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> ...	<b>\$ 123</b>	<b>\$ 130</b>	<b>\$ 55</b>

<u>DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>HIGHWAY GENERAL OBLIGATIONS</u>	<u>PUBLIC IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</u>	<u>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</u>	<u>STATE PROJECTS GENERAL OBLIGATIONS</u>
\$ — 268	\$ — 170	\$ — 149	\$ — 28	\$ 34 —	\$ 67 —
—	—	—	—	—	—
—	—	—	—	19	38
—	—	—	—	—	—
—	—	—	—	—	—
<b>\$ 268</b>	<b>\$ 170</b>	<b>\$ 149</b>	<b>\$ 28</b>	<b>\$ 53</b>	<b>\$ 105</b>
\$ — —	\$ — —	\$ — —	\$ — —	\$ — —	\$ — —
—	—	—	—	—	—
—	—	—	—	19	38
—	—	—	—	—	—
<b>268</b>	<b>170</b>	<b>149</b>	<b>25</b>	<b>—</b>	<b>—</b>
<b>268</b>	<b>170</b>	<b>149</b>	<b>25</b>	<b>19</b>	<b>38</b>
—	—	—	—	34	67
—	—	—	3	—	—
—	—	—	3	34	67
<b>\$ 268</b>	<b>\$ 170</b>	<b>\$ 149</b>	<b>\$ 28</b>	<b>\$ 53</b>	<b>\$ 105</b>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)  
(continued)

<b>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</b>	<b>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</b>	<b>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</b>
---	--	--

**ASSETS:**

Cash Equity with Treasurer .....	\$ 6,779	\$ 134	\$ 45
Cash and Cash Equivalents .....	—	—	—
Investments .....	—	—	—
Collateral on Lent Securities .....	3,834	76	26
Other Receivables .....	—	—	—
Other Assets .....	—	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 10,613</b>	<b>\$ 210</b>	<b>\$ 71</b>

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts Payable .....	\$ —	\$ —	\$ —
Accrued Liabilities .....	—	—	—
Obligations Under Securities Lending .....	3,834	76	26
Payable to Component Units .....	—	—	—
Refund and Other Liabilities .....	—	—	—
<b>TOTAL LIABILITIES</b> .....	<b>3,834</b>	<b>76</b>	<b>26</b>

**FUND BALANCES:**

Reserved for:

Debt Service .....	6,779	134	45
Other:			
Assets in Excess of Debt Service Requirements .....	—	—	—
<b>TOTAL FUND BALANCES</b> .....	<b>6,779</b>	<b>134</b>	<b>45</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> ... \$ <b>10,613</b>	<b>\$ 210</b>	<b>\$ 71</b>	

<i><b>CONSERVATION PROJECTS GENERAL OBLIGATIONS</b></i>	<i><b>ECONOMIC DEVELOPMENT REVENUE BONDS</b></i>	<i><b>INFRASTRUCTURE BANK REVENUE BONDS</b></i>	<i><b>REVITALIZATION PROJECT REVENUE BONDS</b></i>	<i><b>CHAPTER 154 SPECIAL OBLIGATIONS</b></i>	<i><b>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</b></i>
\$ 77	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	5	—	10	8	—
—	11,675	1,922	4,359	3,044	367
43	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<b>\$ 120</b>	<b>\$ 11,680</b>	<b>\$ 1,922</b>	<b>\$ 4,369</b>	<b>\$ 3,052</b>	<b>\$ 367</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	22	—
43	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
<b>43</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>22</b>	<b>—</b>
77	11,680	1,922	4,369	3,030	367
—	—	—	—	—	—
<b>77</b>	<b>11,680</b>	<b>1,922</b>	<b>4,369</b>	<b>3,030</b>	<b>367</b>
<b>\$ 120</b>	<b>\$ 11,680</b>	<b>\$ 1,922</b>	<b>\$ 4,369</b>	<b>\$ 3,052</b>	<b>\$ 367</b>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR DEBT SERVICE FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)  
(continued)

	<u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u>	<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>	<u>OAKS CERTIFICATES OF PARTICIPATION</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ —	\$ —	\$ —
Cash and Cash Equivalents .....	—	—	—
Investments .....	2,047	944	4,200
Collateral on Lent Securities .....	—	—	—
Other Receivables .....	8	—	—
Other Assets .....	25	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 2,080</b>	<b>\$ 944</b>	<b>\$ 4,200</b>

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

Accounts Payable .....	\$ 2	\$ —	\$ —
Accrued Liabilities .....	—	—	—
Obligations Under Securities Lending .....	—	—	—
Payable to Component Units .....	—	—	—
Refund and Other Liabilities .....	1,661	—	—
<b>TOTAL LIABILITIES</b> .....	<b>1,663</b>	<b>—</b>	<b>—</b>

**FUND BALANCES:**

Reserved for:

Debt Service .....	417	944	4,200
Other:			
Assets in Excess of Debt Service Requirements .....	—	—	—
<b>TOTAL FUND BALANCES</b> .....	<b>417</b>	<b>944</b>	<b>4,200</b>

**TOTAL LIABILITIES AND FUND BALANCES**... **\$ 2,080**    **\$ 944**    **\$ 4,200**

*TOTAL*

---

\$	7,215
	823
	28,558
	4,080
	8
	25
<hr/>	<hr/>
\$	<b>40,709</b>

\$	2
	22
	4,080
	35
<hr/>	<hr/>
	2,458
<hr/>	<hr/>
	6,597

	34,109
<hr/>	<hr/>
	3
<hr/>	<hr/>
	34,112
\$	<b>40,709</b>
<hr/>	<hr/>

# **STATE OF OHIO**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**

### **CHANGES IN FUND BALANCES**

#### **NONMAJOR DEBT SERVICE FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

	<u>COAL RESEARCH/ DEVELOPMENT GENERAL OBLIGATIONS</u>	<u>HIGHWAY GENERAL OBLIGATIONS</u>	<u>VIETNAM CONFLICT COMPENSATION GENERAL OBLIGATIONS</u>
<b>REVENUES:</b>			
Investment Income .....	\$ 6	\$ 11	\$ —
Other .....	19	—	—
<b>TOTAL REVENUES</b> .....	<b>25</b>	<b>11</b>	<b>—</b>
<b>EXPENDITURES:</b>			
DEBT SERVICE .....	7,053	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>7,053</b>	<b>—</b>	<b>—</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....			
	<b>(7,028)</b>	<b>11</b>	<b>—</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	—	—	—
Refunding Bonds Issued .....	—	—	—
Payment to Refunded Bond Escrow Agents .....	—	—	—
Premiums .....	—	—	—
Transfers-in .....	7,035	—	—
Transfers-out .....	—	(874)	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>7,035</b>	<b>(874)</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>7</b>	<b>(863)</b>	<b>—</b>
<b>FUND BALANCES, JULY 1 (as restated)</b> .....	<b>37</b>	<b>863</b>	<b>3</b>
<b>FUND BALANCES, JUNE 30</b> .....	<b>\$ 44</b>	<b>\$ —</b>	<b>\$ 3</b>

<i>LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS</i>	<i>STATE PROJECTS GENERAL OBLIGATIONS</i>	<i>HIGHWAY CAPITAL IMPROVEMENTS GENERAL OBLIGATIONS</i>	<i>HIGHER EDUCATION CAPITAL FACILITIES GENERAL OBLIGATIONS</i>	<i>COMMON SCHOOLS CAPITAL FACILITIES GENERAL OBLIGATIONS</i>	<i>CONSERVATION PROJECTS GENERAL OBLIGATIONS</i>
\$ 102	\$ 6	\$ 2,718	\$ 116	\$ 175	\$ 28
130	38	81	108	182	35
<u>232</u>	<u>44</u>	<u>2,799</u>	<u>224</u>	<u>357</u>	<u>63</u>
 <i>158,308</i>	 <i>25,374</i>	 <i>182,476</i>	 <i>140,385</i>	 <i>191,600</i>	 <i>10,238</i>
<u>158,308</u>	<u>25,374</u>	<u>182,476</u>	<u>140,385</u>	<u>191,600</u>	<u>10,238</u>
 <u>(158,076)</u>	 <u>(25,330)</u>	 <u>(179,677)</u>	 <u>(140,161)</u>	 <u>(191,243)</u>	 <u>(10,175)</u>
 —	 —	 —	 —	 608	 —
 —	 —	 —	 49,495	 71,900	 —
 —	 —	 —	 (53,916)	 (82,367)	 —
 5,511	 —	 5,961	 18,035	 29,587	 2,319
 152,595	 25,360	 170,487	 118,069	 171,455	 7,897
 <u>158,106</u>	 <u>25,360</u>	 <u>176,448</u>	 <u>131,683</u>	 <u>191,183</u>	 <u>10,216</u>
 30	 30	 (3,229)	 (8,478)	 (60)	 41
 4	 37	 10,008	 8,612	 105	 36
 <u>\$ 34</u>	 <u>\$ 67</u>	 <u>\$ 6,779</u>	 <u>\$ 134</u>	 <u>\$ 45</u>	 <u>\$ 77</u>

*(continued)*

# **STATE OF OHIO**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

(continued)

	<b>ECONOMIC DEVELOPMENT REVENUE BONDS</b>	<b>INFRASTRUCTURE BANK REVENUE BONDS</b>	<b>REVITALIZATION PROJECT REVENUE BONDS</b>
<b>REVENUES:</b>			
Investment Income .....	\$ 405	\$ 1,904	\$ 99
Other .....	—	—	—
<b>TOTAL REVENUES</b> .....	<b>405</b>	<b>1,904</b>	<b>99</b>
<b>EXPENDITURES:</b>			
DEBT SERVICE .....	27,890	75,592	5,437
<b>TOTAL EXPENDITURES</b> .....	<b>27,890</b>	<b>75,592</b>	<b>5,437</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....			
	<b>(27,485)</b>	<b>(73,688)</b>	<b>(5,338)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	739	—	—
Refunding Bonds Issued .....	—	—	—
Payment to Refunded Bond Escrow Agents .....	—	—	—
Premiums .....	—	1,109	1,541
Transfers-in .....	28,876	73,373	5,288
Transfers-out .....	—	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>29,615</b>	<b>74,482</b>	<b>6,829</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>2,130</b>	<b>794</b>	<b>1,491</b>
<b>FUND BALANCES, JULY 1 (as restated)</b> .....	<b>9,550</b>	<b>1,128</b>	<b>2,878</b>
<b>FUND BALANCES, JUNE 30</b> .....	<b>\$ 11,680</b>	<b>\$ 1,922</b>	<b>\$ 4,369</b>

<u>CHAPTER 154 SPECIAL OBLIGATIONS</u>	<u>SCHOOL BUILDING PROGRAM SPECIAL OBLIGATIONS</u>	<u>OHIO BUILDING AUTHORITY SPECIAL OBLIGATIONS</u>	<u>TRANSPORTATION CERTIFICATES OF PARTICIPATION</u>	<u>OAKS CERTIFICATES OF PARTICIPATION</u>	<u>TOTAL</u>
\$ 145	\$ 15	\$ —	\$ 69	\$ 194	\$ 5,993
<u>—</u>	<u>—</u>	<u>627</u>	<u>696</u>	<u>—</u>	<u>1,916</u>
<u>145</u>	<u>15</u>	<u>627</u>	<u>765</u>	<u>194</u>	<u>7,909</u>
<u>303,355</u>	<u>31,698</u>	<u>293,318</u>	<u>763</u>	<u>2,917</u>	<u>1,456,404</u>
<u>303,355</u>	<u>31,698</u>	<u>293,318</u>	<u>763</u>	<u>2,917</u>	<u>1,456,404</u>
<u>(303,210)</u>	<u>(31,683)</u>	<u>(292,691)</u>	<u>2</u>	<u>(2,723)</u>	<u>(1,448,495)</u>
—	—	288	—	—	1,635
—	—	34,845	—	—	156,240
—	—	(36,487)	—	—	(172,770)
1,502	—	1,937	—	—	67,502
300,845	31,685	275,033	—	—	1,367,998
—	—	—	—	—	(874)
<u>302,347</u>	<u>31,685</u>	<u>275,616</u>	<u>—</u>	<u>—</u>	<u>1,419,731</u>
(863)	2	(17,075)	2	(2,723)	(28,764)
3,893	365	17,492	942	6,923	62,876
<u>\$ 3,030</u>	<u>\$ 367</u>	<u>\$ 417</u>	<u>\$ 944</u>	<u>\$ 4,200</u>	<u>\$ 34,112</u>

# **STATE OF OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

<b>COAL RESEARCH/DEVELOPMENT GENERAL OBLIGATIONS</b>			
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET</b>
	<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>
<b>REVENUES:</b>			
Investment Income .....		\$       6	
Other .....		<u>7,088</u>	
<b>TOTAL REVENUES</b> .....		<b><u>7,094</u></b>	
<b>BUDGETARY EXPENDITURES:</b>			
<b>DEBT SERVICE</b> .....	<b>\$   7,071</b>	7,053	\$   18
<b>TOTAL BUDGETARY EXPENDITURES</b> .....	<b><u>\$   7,071</u></b>	<b><u>7,053</u></b>	<b><u>\$   18</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES</b> .....		<b><u>41</u></b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		—	
Transfers-in .....		—	
Transfers-out .....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....		<b><u>—</u></b>	
<b>NET CHANGE IN FUND BALANCES</b> .....		<b><u>41</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1</b> .....		<b><u>37</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30</b> .....	<b><u>\$   78</u></b>		

HIGHWAY GENERAL OBLIGATIONS			LOCAL INFRASTRUCTURE IMPROVEMENTS GENERAL OBLIGATIONS		
		VARIANCE WITH FINAL			VARIANCE WITH FINAL
BUDGET	ACTUAL	BUDGET POSITIVE/ (NEGATIVE)	BUDGET	ACTUAL	BUDGET POSITIVE/ (NEGATIVE)
FINAL	FINAL	(NEGATIVE)	FINAL	ACTUAL	(NEGATIVE)
\$ 11	\$ —	<u>11</u>	\$ 102	\$ 152,595	<u>152,697</u>
\$ —	\$ —	<u>—</u>	\$ 163,131	\$ 157,571	<u>5,560</u>
\$ —	\$ —	<u>—</u>	\$ 163,131	\$ 157,571	<u>5,560</u>
		<u>11</u>			<u>(4,874)</u>
250	—	<u>—</u>	4,904	—	<u>—</u>
(874)	(624)	<u>(624)</u>			<u>4,904</u>
(613)		<u>(613)</u>	30		<u>30</u>
		<u>613</u>			<u>4</u>
\$ —		<u>—</u>	\$ 34		<u>34</u>

*(continued)*

# **STATE OF OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)  
(continued)

<b>STATE PROJECTS GENERAL OBLIGATIONS</b>			
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET</b>
	<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>
<b>REVENUES:</b>			
Investment Income .....		\$ 6	
Other .....		<u>25,361</u>	
<b>TOTAL REVENUES</b> .....		<b><u>25,367</u></b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 26,166	25,374	\$ 792
<b>TOTAL BUDGETARY EXPENDITURES</b> .....	<b><u>\$ 26,166</u></b>	<b><u>25,374</u></b>	<b><u>\$ 792</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES</b> .....		(7)	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		37	
Transfers-in .....		—	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....		<b><u>37</u></b>	
<b>NET CHANGE IN FUND BALANCES</b> .....		30	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1</b> .....		<u>37</u>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30</b> .....	\$ <u>67</u>		

**HIGHWAY CAPITAL IMPROVEMENTS  
GENERAL OBLIGATIONS**

**HIGHER EDUCATION CAPITAL FACILITIES  
GENERAL OBLIGATIONS**

<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET</b>	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET</b>
<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>
\$ 181,164	181,164	\$ —	\$ 140,600	134,230	\$ 6,370
<u>\$ 181,164</u>	<u>181,164</u>	<u>\$ —</u>	<u>\$ 140,600</u>	<u>134,230</u>	<u>\$ 6,370</u>
		<u>(178,446)</u>		<u>(16,045)</u>	
		4,729		7,566	
		170,487		—	
		<u>—</u>		<u>—</u>	
		<u>175,216</u>		<u>7,566</u>	
		(3,230)		(8,479)	
		<u>10,009</u>		<u>8,613</u>	
		<u>\$ 6,779</u>		<u>\$ 134</u>	

*(continued)*

# **STATE OF OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)  
(continued)

**COMMON SCHOOLS CAPITAL FACILITIES  
GENERAL OBLIGATIONS**

	<b>BUDGET</b>	<b>VARIANCE WITH FINAL BUDGET</b>	
	<b>FINAL</b>	<b>ACTUAL</b>	<b>POSITIVE/ (NEGATIVE)</b>
<b>REVENUES:</b>			
Investment Income .....		\$ 175	
Other .....		<u>171,456</u>	
<b>TOTAL REVENUES.....</b>		<b><u>171,631</u></b>	
<b>BUDGETARY EXPENDITURES:</b>			
DEBT SERVICE.....	\$ 200,725	188,886	\$ 11,839
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b><u>\$ 200,725</u></b>	<b><u>188,886</u></b>	<b><u>\$ 11,839</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b><u>(17,255)</u></b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		17,196	
Transfers-in .....		—	
Transfers-out.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>		<b><u>17,196</u></b>	
<b>NET CHANGE IN FUND BALANCES.....</b>		<b><u>(59)</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1.....</b>			
		<b><u>104</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>			
	<b><u>\$ 45</u></b>		

CONSERVATION PROJECTS GENERAL OBLIGATIONS			TOTAL		
<u>BUDGET</u>		VARIANCE WITH FINAL BUDGET	<u>BUDGET</u>		VARIANCE WITH FINAL BUDGET
<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>POSITIVE/ (NEGATIVE)</u>
\$ 14,687	9,917	\$ 4,770	\$ 733,544	704,195	\$ 29,349
<u>\$ 14,687</u>	<u>9,917</u>	<u>\$ 4,770</u>	<u>\$ 733,544</u>	<u>704,195</u>	<u>\$ 29,349</u>
	<u>(1,991)</u>			<u>(218,566)</u>	
2,032			36,714		
—			170,487		
—			(874)		
<u>2,032</u>			<u>206,327</u>		
41			(12,239)		
	<u>36</u>		<u>19,453</u>		
<u>\$ 77</u>			<u>\$ 7,214</u>		

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## ***NONMAJOR CAPITAL PROJECTS FUNDS***

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**Capital Projects Funds** account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

The **Infrastructure Bank Obligations Fund** accounts for revenue bond proceeds that finance various highway construction projects sponsored by the Department of Transportation.

The **Mental Health/Mental Retardation Facilities Improvements Fund** accounts for special obligation bond proceeds that finance the construction of mental health/mental retardation facilities.

The **Parks and Recreation Improvements Fund** accounts for special obligation bond proceeds that finance the capital improvement of parks and recreation facilities.

The **Administrative Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Administrative Services.

The **Youth Services Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Youth Services.

The **Transportation Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Transportation.

The **Adult Correctional Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Rehabilitation and Correction.

The **Highway Safety Building Improvements Fund** accounts for special obligation bond proceeds that finance capital improvements for the Department of Public Safety.

The **Ohio Parks and Natural Resources Fund** accounts for general obligation bond proceeds that finance capital improvements for state and local parks and other natural resources-related projects.

The **Highway Capital Improvement Fund** accounts for general obligation bond proceeds that finance capital improvements to the state highway system.

The **OAKS Project Fund** accounts for certificate of participation proceeds that finance the costs of the Ohio Administrative Knowledge System (OAKS) project, which is a statewide enterprise resource planning system.

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)

	<u>INFRASTRUCTURE BANK OBLIGATIONS</u>	<u>MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS</u>	<u>PARKS AND RECREATION IMPROVEMENTS</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 25,892	\$ 6,648	\$ 13,538
Investments .....	—	—	—
Collateral on Lent Securities.....	14,644	3,760	7,657
Other Receivables .....	—	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 40,536</b>	<b>\$ 10,408</b>	<b>\$ 21,195</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable.....	\$ 3,332	\$ 2,160	\$ 323
Obligations Under Securities Lending .....	14,644	3,760	7,657
<b>TOTAL LIABILITIES</b> .....	<b>17,976</b>	<b>5,920</b>	<b>7,980</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances .....	157,664	18,309	7,989
Unreserved/Undesignated (Deficits).....	(135,104)	(13,821)	5,226
<b>TOTAL FUND BALANCES</b> .....	<b>22,560</b>	<b>4,488</b>	<b>13,215</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> ...	<b>\$ 40,536</b>	<b>\$ 10,408</b>	<b>\$ 21,195</b>

<b><u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u></b>	<b><u>YOUTH SERVICES BUILDING IMPROVEMENTS</u></b>	<b><u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u></b>	<b><u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u></b>	<b><u>OHIO PARKS AND NATURAL RESOURCES</u></b>	<b><u>HIGHWAY CAPITAL IMPROVEMENT</u></b>
\$ 15,223	\$ 6,020	\$ 41,934	\$ 2,232	\$ 13,925	\$ 138,201
—	—	—	—	—	—
8,609	3,405	23,717	1,262	7,876	78,163
—	—	—	—	—	—
<b><u>\$ 23,832</u></b>	<b><u>\$ 9,425</u></b>	<b><u>\$ 65,651</u></b>	<b><u>\$ 3,494</u></b>	<b><u>\$ 21,801</u></b>	<b><u>\$ 216,364</u></b>
\$ 3,563	\$ 514	\$ 2,234	\$ —	\$ 821	\$ 12,078
8,609	3,405	23,717	1,262	7,876	78,163
—	—	—	—	—	—
<b><u>12,172</u></b>	<b><u>3,919</u></b>	<b><u>25,951</u></b>	<b><u>1,262</u></b>	<b><u>8,697</u></b>	<b><u>90,241</u></b>
26,029	9,019	26,406	1,368	12,127	195,165
(14,369)	(3,513)	13,294	864	977	(69,042)
—	—	—	—	—	—
<b><u>11,660</u></b>	<b><u>5,506</u></b>	<b><u>39,700</u></b>	<b><u>2,232</u></b>	<b><u>13,104</u></b>	<b><u>126,123</u></b>
<b><u>\$ 23,832</u></b>	<b><u>\$ 9,425</u></b>	<b><u>\$ 65,651</u></b>	<b><u>\$ 3,494</u></b>	<b><u>\$ 21,801</u></b>	<b><u>\$ 216,364</u></b>

(continued)

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**NONMAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2006**  
(dollars in thousands)  
(continued)

	<u>OAKS PROJECT</u>	<u>TOTAL</u>
--	---------------------	--------------

**ASSETS:**

<i>Cash Equity with Treasurer</i> .....	\$        —	\$        263,613
<i>Investments</i> .....	53,736	53,736
<i>Collateral on Lent Securities</i> .....	—	149,093
<i>Other Receivables</i> .....	203	203
<b>TOTAL ASSETS</b> .....	<b>\$        53,939</b>	<b>\$        466,645</b>

**LIABILITIES AND FUND BALANCES:**

**LIABILITIES:**

<i>Accounts Payable</i> .....	\$        4,042	\$        29,067
<i>Obligations Under Securities Lending</i> .....	—	149,093
<b>TOTAL LIABILITIES</b> .....	<b>4,042</b>	<b>178,160</b>

**FUND BALANCES:**

Reserved for:

<i>Encumbrances</i> .....	—	454,076
<i>Unreserved/Undesignated (Deficits)</i> .....	49,897	(165,591)
<b>TOTAL FUND BALANCES</b> .....	<b>49,897</b>	<b>288,485</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> ... \$	<b>53,939</b>	<b>\$        466,645</b>

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# **STATE OF OHIO**

## **COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**

### **CHANGES IN FUND BALANCES**

#### **NONMAJOR CAPITAL PROJECTS FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

	<b>INFRASTRUCTURE BANK OBLIGATIONS</b>	<b>MENTAL HEALTH/ MENTAL RETARDATION FACILITIES IMPROVEMENTS</b>	<b>PARKS AND RECREATION IMPROVEMENTS</b>
<b>REVENUES:</b>			
Sales, Services and Charges .....	\$ —	\$ 57	\$ —
Investment Income .....	1,271	589	665
Other .....	—	181	—
<b>TOTAL REVENUES</b> .....	<b>1,271</b>	<b>827</b>	<b>665</b>
<b>EXPENDITURES:</b>			
CAPITAL OUTLAY .....	117,619	28,008	8,802
DEBT SERVICE .....	—	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>117,619</b>	<b>28,008</b>	<b>8,802</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>			
OVER (UNDER) EXPENDITURES .....	(116,348)	(27,181)	(8,137)
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds and Certificates of Participation Issued .....	99,270	30,000	—
Premiums .....	3,052	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>102,322</b>	<b>30,000</b>	<b>—</b>
NET CHANGE IN FUND BALANCES .....	(14,026)	2,819	(8,137)
FUND BALANCES, JULY 1 .....	36,586	1,669	21,352
<b>FUND BALANCES, JUNE 30</b> .....	<b>\$ 22,560</b>	<b>\$ 4,488</b>	<b>\$ 13,215</b>

<u>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</u>	<u>YOUTH SERVICES BUILDING IMPROVEMENTS</u>	<u>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</u>	<u>HIGHWAY SAFETY BUILDING IMPROVEMENTS</u>	<u>OHIO PARKS AND NATURAL RESOURCES</u>	<u>HIGHWAY CAPITAL IMPROVEMENT</u>
\$ — 1,900 49 <u>1,949</u>	\$ — 320 — <u>320</u>	\$ — 2,258 71 <u>2,329</u>	\$ — 126 — <u>126</u>	\$ — 783 245 <u>1,028</u>	\$ — 3,119 — <u>3,119</u>
69,581 1,649 <u>71,230</u>	11,150 676 <u>11,826</u>	32,991 — <u>32,991</u>	2,825 — <u>2,825</u>	12,199 — <u>12,199</u>	158,271 — <u>158,271</u>
(69,281)	(11,506)	(30,662)	(2,699)	(11,171)	(155,152)
— — — <u>14,711</u>	14,711 — — <u>14,711</u>	— — — <u>—</u>	— — — <u>—</u>	— — — <u>—</u>	180,000 — <u>180,000</u>
(69,281)	3,205	(30,662)	(2,699)	(11,171)	24,848
80,941	2,301	70,362	4,931	24,275	101,275
<u>\$ 11,660</u>	<u>\$ 5,506</u>	<u>\$ 39,700</u>	<u>\$ 2,232</u>	<u>\$ 13,104</u>	<u>\$ 126,123</u>

(continued)

**STATE OF OHIO****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES****NONMAJOR CAPITAL PROJECTS FUNDS****FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

(continued)

	<u>OAKS PROJECT</u>	<u>TOTAL</u>
<b>REVENUES:</b>		
Sales, Services and Charges .....	\$       —	\$       57
Investment Income .....	2,497	13,528
Other .....	—	546
<b>TOTAL REVENUES</b> .....	<b><u>2,497</u></b>	<b><u>14,131</u></b>
<b>EXPENDITURES:</b>		
CAPITAL OUTLAY .....	23,323	464,769
DEBT SERVICE .....	—	2,325
<b>TOTAL EXPENDITURES</b> .....	<b><u>23,323</u></b>	<b><u>467,094</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....		
	<b><u>(20,826)</u></b>	<b><u>(452,963)</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>		
Bonds and Certificates of Participation Issued .....	—	323,981
Premiums .....	—	3,052
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b><u>—</u></b>	<b><u>327,033</u></b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b><u>(20,826)</u></b>	<b><u>(125,930)</u></b>
<b>FUND BALANCES, JULY 1</b> .....	<b><u>70,723</u></b>	<b><u>414,415</u></b>
<b>FUND BALANCES, JUNE 30</b> .....	<b><u>\$       49,897</u></b>	<b><u>\$       288,485</u></b>

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# **STATE OF OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

<b>INFRASTRUCTURE BANK OBLIGATIONS</b>			
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		1,272	
Other .....		—	
<b>TOTAL REVENUES.....</b>	<b><u>1,272</u></b>		
<b>BUDGETARY EXPENDITURES:</b>			
CAPITAL OUTLAY.....	\$ 295,370	173,689	\$ 121,681
DEBT SERVICE.....	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b><u>\$ 295,370</u></b>	<b><u>173,689</u></b>	<b><u>\$ 121,681</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b><u>(172,417)</u></b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b><u>—</u></b>		
<b>NET CHANGE IN FUND BALANCES.....</b>		<b><u>(172,417)</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>			
		<b><u>(11,957)</u></b>	
<i>Outstanding Encumbrances at Beginning of Fiscal Year</i>			
		<b><u>49,271</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>			
		<b><u>\$ (135,103)</u></b>	

MENTAL HEALTH/MENTAL RETARDATION FACILITIES IMPROVEMENTS			PARKS AND RECREATION IMPROVEMENTS		
		VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)			VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
BUDGET <u>FINAL</u>	ACTUAL		BUDGET <u>FINAL</u>	ACTUAL	
\$ 78,442	51,010	\$ 27,432	\$ 43,336	17,380	\$ 25,956
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 78,442</u>	<u>51,010</u>	<u>\$ 27,432</u>	<u>\$ 43,336</u>	<u>17,380</u>	<u>\$ 25,956</u>
	<u>(50,182)</u>			<u>(16,715)</u>	
		<u>30,000</u>		<u>—</u>	
		<u>30,000</u>		<u>—</u>	
		<u>(20,182)</u>		<u>(16,715)</u>	
		<u>(27,532)</u>		<u>12,582</u>	
		<u>33,851</u>		<u>9,347</u>	
		<u>\$ (13,863)</u>		<u>\$ 5,214</u>	

(continued)

# **STATE OF OHIO**

## **COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) NONMAJOR CAPITAL PROJECTS FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

(continued)

<b>ADMINISTRATIVE SERVICES BUILDING IMPROVEMENTS</b>			
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		1,900	
Other .....		49	
<b>TOTAL REVENUES.....</b>	<b><u>1,949</u></b>		
<b>BUDGETARY EXPENDITURES:</b>			
CAPITAL OUTLAY.....	\$ 154,311	101,722	\$ 52,589
DEBT SERVICE.....	1,649	1,649	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b><u>\$ 155,960</u></b>	<b><u>103,371</u></b>	<b><u>\$ 52,589</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b><u>(101,422)</u></b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b><u>—</u></b>		
<b>NET CHANGE IN FUND BALANCES.....</b>		<b><u>(101,422)</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>			
Outstanding Encumbrances at Beginning of Fiscal Year		46,837	
		<b><u>39,562</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>	<b><u>\$ (15,023)</u></b>		

YOUTH SERVICES BUILDING IMPROVEMENTS			TRANSPORTATION BUILDING IMPROVEMENTS		
BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)	BUDGET FINAL	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)
\$		\$		\$	
	—			—	—
	320			—	—
	—			—	—
	<b>320</b>			<b>—</b>	<b>—</b>
\$ 32,102	22,214	\$ 9,888	\$ 6	—	\$ 6
676	676	—	—	—	—
<b>\$ 32,778</b>	<b>22,890</b>	<b>\$ 9,888</b>	<b>\$ 6</b>	<b>—</b>	<b>\$ 6</b>
	<b>(22,570)</b>			—	—
	14,711			—	—
	<b>14,711</b>			—	—
	(7,859)			—	—
	(15,924)			—	—
	20,212			—	—
<b>\$ (3,571)</b>			<b>\$ —</b>		

(continued)

# **STATE OF OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

(continued)

<b>ADULT CORRECTIONAL BUILDING IMPROVEMENTS</b>			
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		2,258	
Other .....		72	
<b>TOTAL REVENUES.....</b>	<b><u>2,330</u></b>		
<b>BUDGETARY EXPENDITURES:</b>			
CAPITAL OUTLAY.....	\$ 161,140	73,341	\$ 87,799
DEBT SERVICE.....	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b><u>\$ 161,140</u></b>	<b><u>73,341</u></b>	<b><u>\$ 87,799</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b><u>(71,011)</u></b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		—	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b><u>—</u></b>		
<b>NET CHANGE IN FUND BALANCES.....</b>		<b><u>(71,011)</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>			
Outstanding Encumbrances at Beginning of Fiscal Year		38,598	
		<b><u>43,378</u></b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>			
	<b><u>\$ 10,965</u></b>		

<b>HIGHWAY SAFETY BUILDING IMPROVEMENTS</b>			<b>OHIO PARKS AND NATURAL RESOURCES</b>		
<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
<b>FINAL</b>	<b>ACTUAL</b>		<b>FINAL</b>	<b>ACTUAL</b>	
\$ 8,070	4,490	\$ 3,580	\$ 58,748	25,623	\$ 33,125
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b><u>\$ 8,070</u></b>	<b><u>4,490</u></b>	<b><u>\$ 3,580</u></b>	<b><u>\$ 58,748</u></b>	<b><u>25,623</u></b>	<b><u>\$ 33,125</u></b>
	<b>(4,363)</b>			<b>(24,594)</b>	
	<u>—</u>		<u>—</u>	<u>—</u>	
	<u>—</u>		<u>—</u>	<u>—</u>	
	<b>(4,363)</b>			<b>(24,594)</b>	
	3,347			14,136	
	<u>1,880</u>			<u>10,949</u>	
	<b><u>\$ 864</u></b>			<b><u>\$ 491</u></b>	

(continued)

# **STATE OF OHIO**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

(continued)

<b>HIGHWAY CAPITAL IMPROVEMENT</b>			
	<b>BUDGET</b>		<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
	<b>FINAL</b>	<b>ACTUAL</b>	
<b>REVENUES:</b>			
Sales, Services and Charges.....		\$ —	
Investment Income .....		3,119	
Other .....		—	
<b>TOTAL REVENUES.....</b>		<b>3,119</b>	
<b>BUDGETARY EXPENDITURES:</b>			
CAPITAL OUTLAY.....	\$ 661,359	372,080	\$ 289,279
DEBT SERVICE.....	—	—	—
<b>TOTAL BUDGETARY EXPENDITURES.....</b>	<b>\$ 661,359</b>	<b>372,080</b>	<b>\$ 289,279</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) BUDGETARY EXPENDITURES.....</b>			
		<b>(368,961)</b>	
<b>OTHER FINANCING SOURCES (USES):</b>			
Bonds Issued.....		180,000	
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>180,000</b>		
<b>NET CHANGE IN FUND BALANCES.....</b>		<b>(188,961)</b>	
<b>BUDGETARY FUND BALANCES (DEFICITS), JULY 1 .....</b>			
Outstanding Encumbrances at Beginning of Fiscal Year		(99,682)	
		219,626	
<b>BUDGETARY FUND BALANCES (DEFICITS), JUNE 30 .....</b>	<b>\$ (69,017)</b>		

<b>TOTAL</b>		
<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE)</b>
<b>FINAL</b>	<b>FINAL</b>	
\$ 1,492,884	\$ 841,549	\$ 651,335
2,325	2,325	—
<b><u>\$ 1,495,209</u></b>	<b><u>843,874</u></b>	<b><u>\$ 651,335</u></b>
		<b><u>(832,235)</u></b>
		<b><u>224,711</u></b>
		<b><u>224,711</u></b>
		<b><u>(607,524)</u></b>
		<b><u>(39,595)</u></b>
		<b><u>428,076</u></b>
		<b><u>\$ (219,043)</u></b>

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## ***NONMAJOR ENTERPRISE FUNDS***

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**Enterprise Funds** may be used to report any activity for which a fee is charged to external users for goods or services.

The **Ohio Building Authority Fund** accounts for the Authority's local government office building lease operations and for the maintenance of all government office buildings owned or leased by the Authority.

The **Tuition Trust Authority Fund** accounts for the operations of the Ohio Tuition Trust Authority, including the sale of tuition credits under its guaranteed return option program.

The **Liquor Control Fund** accounts for the State's liquor sales operations of the Ohio Department of Commerce's Division of Liquor Control.

The **Underground Parking Garage Fund** accounts for the operations of the State's underground parking facilities at Capitol Square in Columbus.

The **Office of Auditor of State Fund** accounts for the operations of the Ohio Auditor of State's Office, which provides government audit and management advisory services to Ohio's public offices.

# STATE OF OHIO

## COMBINING STATEMENT OF NET ASSETS

### NONMAJOR PROPRIETARY FUNDS – ENTERPRISE

JUNE 30, 2006

(dollars in thousands)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ 429	\$ 14,925
Cash and Cash Equivalents.....	516	2,328	8,796
Collateral on Lent Securities.....	—	243	8,441
Restricted Assets:			
Investments.....	28,340	81,200	—
Intergovernmental Receivable.....	—	—	—
Interfund Receivable.....	1	—	—
Other Receivables.....	5,665	4,781	17
Inventories.....	—	—	36,414
Other Assets.....	486	240	130
<b>TOTAL CURRENT ASSETS</b> .....	<b>35,008</b>	<b>89,221</b>	<b>68,723</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Investments.....	—	702,259	—
Investments.....	—	75,668	—
Interfund Receivable.....	—	—	—
Other Receivables.....	3,244	—	—
Other Assets.....	7	—	—
Capital Assets Being Depreciated, Net.....	—	265	1,142
Capital Assets Not Being Depreciated.....	—	—	—
<b>TOTAL NONCURRENT ASSETS</b> .....	<b>3,251</b>	<b>778,192</b>	<b>1,142</b>
<b>TOTAL ASSETS</b> .....	<b>38,259</b>	<b>867,413</b>	<b>69,865</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	2,874	—	23,745
Accrued Liabilities.....	59	108	959
Obligations Under Securities Lending.....	—	243	8,441
Intergovernmental Payable.....	—	—	434
Interfund Payable.....	—	—	3,107
Unearned Revenue.....	—	—	—
Benefits Payable.....	—	81,200	—
Refund and Other Liabilities.....	122	—	2,869
Bonds and Notes Payable.....	4,653	—	—
<b>TOTAL CURRENT LIABILITIES</b> .....	<b>7,708</b>	<b>81,551</b>	<b>39,555</b>
<b>NONCURRENT LIABILITIES:</b>			
Interfund Payable.....	—	—	2,116
Benefits Payable.....	—	1,014,700	—
Refund and Other Liabilities.....	—	—	2,532
Bonds and Notes Payable.....	2,510	—	—
<b>TOTAL NONCURRENT LIABILITIES</b> .....	<b>2,510</b>	<b>1,014,700</b>	<b>4,648</b>
<b>TOTAL LIABILITIES</b> .....	<b>10,218</b>	<b>1,096,251</b>	<b>44,203</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	—	265	1,142
Unrestricted (Deficits).....	28,041	(229,103)	24,520
<b>TOTAL NET ASSETS (DEFICITS)</b> .....	<b>\$ 28,041</b>	<b>\$ (228,838)</b>	<b>\$ 25,662</b>

<b>UNDERGROUND PARKING GARAGE</b>	<b>OFFICE OF AUDITOR OF STATE</b>	<b>TOTAL NONMAJOR PROPRIETARY FUNDS</b>
\$ 811	\$ 10,352	\$ 26,517
—	—	11,640
459	—	9,143
—	—	109,540
—	8,966	8,966
—	1,910	1,911
—	—	10,463
—	—	36,414
9	390	1,255
<b>1,279</b>	<b>21,618</b>	<b>215,849</b>
—	—	702,259
—	—	75,668
—	7,374	7,374
—	—	3,244
—	—	7
6,151	3,139	10,697
778	—	778
<b>6,929</b>	<b>10,513</b>	<b>800,027</b>
<b>8,208</b>	<b>32,131</b>	<b>1,015,876</b>
101	499	27,219
72	3,563	4,761
459	—	9,143
—	—	434
3	—	3,110
11	—	11
—	—	81,200
22	953	3,966
—	—	4,653
<b>668</b>	<b>5,015</b>	<b>134,497</b>
332	—	2,448
—	—	1,014,700
101	14,274	16,907
—	—	2,510
<b>433</b>	<b>14,274</b>	<b>1,036,565</b>
<b>1,101</b>	<b>19,289</b>	<b>1,171,062</b>
6,929	3,126	11,462
178	9,716	(166,648)
<b>\$ 7,107</b>	<b>\$ 12,842</b>	<b>\$ (155,186)</b>

# STATE OF OHIO

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
NONMAJOR PROPRIETARY FUNDS – ENTERPRISE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

	<i>OHIO BUILDING AUTHORITY</i>	<i>TUITION TRUST AUTHORITY</i>	<i>LIQUOR CONTROL</i>
<b>OPERATING REVENUES:</b>			
Charges for Sales and Services.....	\$ 24,424	\$ 9,289	\$ 605,531
Investment Income.....	—	69,629	—
Other.....	1,815	—	1,374
<b>TOTAL OPERATING REVENUES.....</b>	<b>26,239</b>	<b>78,918</b>	<b>606,905</b>
<b>OPERATING EXPENSES:</b>			
Costs of Sales and Services.....	21,160	—	364,477
Administration.....	2,514	10,305	57,122
Benefits and Claims.....	—	56,847	—
Depreciation.....	—	10	796
Other.....	1,491	—	978
<b>TOTAL OPERATING EXPENSES.....</b>	<b>25,165</b>	<b>67,162</b>	<b>423,373</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>1,074</b>	<b>11,756</b>	<b>183,532</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Investment Income.....	1,741	—	—
Interest Expense.....	(632)	—	—
Federal Grants.....	—	—	—
Other.....	—	—	—
<b>TOTAL NONOPERATING REVENUES (EXPENSES).....</b>	<b>1,109</b>	<b>—</b>	<b>—</b>
<b>INCOME (LOSS) BEFORE TRANSFERS.....</b>	<b>2,183</b>	<b>11,756</b>	<b>183,532</b>
<b>TRANSFERS:</b>			
Transfers-in.....	22,581	—	—
Transfers-out.....	(23,573)	—	(176,879)
<b>TOTAL TRANSFERS.....</b>	<b>(992)</b>	<b>—</b>	<b>(176,879)</b>
<b>NET INCOME (LOSS).....</b>	<b>1,191</b>	<b>11,756</b>	<b>6,653</b>
<b>NET ASSETS (DEFICITS), JULY 1 (as restated).....</b>	<b>26,850</b>	<b>(240,594)</b>	<b>19,009</b>
<b>NET ASSETS (DEFICITS), JUNE 30.....</b>	<b>\$ 28,041</b>	<b>\$ (228,838)</b>	<b>\$ 25,662</b>

<i>UNDERGROUND PARKING GARAGE</i>	<i>OFFICE OF AUDITOR OF STATE</i>	<i>TOTAL NONMAJOR PROPRIETARY FUNDS</i>
\$ 2,589	\$ 42,110	\$ 683,943
—	—	69,629
1	1,327	4,517
<b>2,590</b>	<b>43,437</b>	<b>758,089</b>
—	61,762	447,399
2,411	8,095	80,447
—	—	56,847
567	1,468	2,841
15	13	2,497
<b>2,993</b>	<b>71,338</b>	<b>590,031</b>
(403)	(27,901)	<b>168,058</b>
42	—	1,783
—	(41)	(673)
—	107	107
—	(350)	(350)
<b>42</b>	<b>(284)</b>	<b>867</b>
<b>(361)</b>	<b>(28,185)</b>	<b>168,925</b>
—	30,642	53,223
(757)	—	(201,209)
<b>(757)</b>	<b>30,642</b>	<b>(147,986)</b>
(1,118)	2,457	20,939
8,225	10,385	(176,125)
<b>\$ 7,107</b>	<b>\$ 12,842</b>	<b>\$ (155,186)</b>

# STATE OF OHIO

## COMBINING STATEMENT OF CASH FLOWS NO MAJOR PROPRIETARY FUNDS – ENTERPRISE FOR THE FISCAL YEAR ENDED JUNE 30, 2006 (dollars in thousands)

	OHIO BUILDING AUTHORITY	TUITION TRUST AUTHORITY	LIQUOR CONTROL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ 25,001	\$ —	\$ 605,842
Cash Received from Interfund Services Provided.....	1,270	—	5
Other Operating Cash Receipts.....	1,968	7,992	1,379
Cash Payments to Suppliers for Goods and Services.....	(25,152)	(1,753)	(407,784)
Cash Payments to Employees for Services.....	(1,159)	(6,885)	(17,348)
Cash Payments for Interfund Services Used.....	—	(174)	(1,666)
Other Operating Cash Payments.....	—	(68,893)	(158)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>1,928</b>	<b>(69,713)</b>	<b>180,270</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers-in .....	22,581	—	—
Transfers-out .....	(23,573)	—	(176,879)
Federal Grants.....	—	—	—
<b>NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES.....</b>	<b>(992)</b>	<b>—</b>	<b>(176,879)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Principal Payments on Bonds and Capital Leases.....	(2,047)	—	—
Interest Paid .....	(298)	—	—
Acquisition and Construction of Capital Assets .....	—	(108)	(613)
Principal Receipts on Capital Leases Receivable.....	2,047	—	—
Proceeds from Sales of Capital Assets .....	—	—	8
<b>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(298)</b>	<b>(108)</b>	<b>(605)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of Investments.....	(54,849)	(1,685,595)	—
Proceeds from the Sales and Maturities of Investments .....	52,518	1,727,164	—
Investment Income Received .....	1,693	30,162	—
<b>NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES.....</b>	<b>(638)</b>	<b>71,731</b>	<b>—</b>
<b>NET INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS.....</b>	<b>—</b>	<b>1,910</b>	<b>2,786</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1.....</b>	<b>516</b>	<b>847</b>	<b>20,935</b>
<b>CASH AND CASH EQUIVALENTS, JUNE 30 .....</b>	<b>\$ 516</b>	<b>\$ 2,757</b>	<b>\$ 23,721</b>

<i>UNDERGROUND PARKING GARAGE</i>	<i>OFFICE OF AUDITOR OF STATE</i>	<i>TOTAL NONMAJOR PROPRIETARY FUNDS</i>
\$ 1,966	\$ 34,093	\$ 666,902
624	9,538	11,437
1	104	11,444
(1,135)	(8,009)	(443,833)
(1,095)	(63,122)	(89,609)
(62)	(151)	(2,053)
(1)	(99)	(69,151)
<hr/> <b>298</b>	<b>(27,646)</b>	<b>85,137</b>
 —	 33,204	 55,785
(757)	—	(201,209)
<hr/> —	<hr/> 104	<hr/> 104
<hr/> <b>(757)</b>	<b>33,308</b>	<b>(145,320)</b>
 —	 (186)	 (2,233)
—	(41)	(339)
(822)	(3,292)	(4,835)
—	—	2,047
—	99	107
<hr/> <b>(822)</b>	<b>(3,420)</b>	<b>(5,253)</b>
 —	 —	 (1,740,444)
—	—	1,779,682
42	—	31,897
<hr/> <b>42</b>	<b>—</b>	<b>71,135</b>
 <b>(1,239)</b>	 <b>2,242</b>	 <b>5,699</b>
<b>2,050</b>	<b>8,110</b>	<b>32,458</b>
<hr/> <b>\$ 811</b>	<b>\$ 10,352</b>	<b>\$ 38,157</b>

*(continued)*

**STATE OF OHIO**

**COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR PROPRIETARY FUNDS – ENTERPRISE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

(continued)

	<b>OHIO BUILDING AUTHORITY</b>	<b>TUITION TRUST AUTHORITY</b>	<b>LIQUOR CONTROL</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
<i>Operating Income (Loss).....</i>	\$ 1,074	\$ 11,756	\$ 183,532
<i>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</i>			
<i>Investment Income.....</i>	—	(69,629)	—
<i>Depreciation .....</i>	—	10	796
<i>Amortization of Premiums and Discounts.....</i>	1,098	—	—
<i>Decrease (Increase) in Assets:</i>			
<i>Intergovernmental Receivable.....</i>	—	—	—
<i>Interfund Receivable.....</i>	—	—	10
<i>Other Receivables .....</i>	297	(274)	(17)
<i>Inventories .....</i>	—	—	(1,343)
<i>Other Assets .....</i>	11	(240)	(22)
<i>Increase (Decrease) in Liabilities:</i>			
<i>Accounts Payable .....</i>	(561)	(207)	(2,798)
<i>Accrued Liabilities.....</i>	—	(220)	24
<i>Intergovernmental Payable.....</i>	—	—	20
<i>Interfund Payable.....</i>	—	—	(159)
<i>Unearned Revenue.....</i>	—	—	—
<i>Benefits Payable.....</i>	—	(10,900)	—
<i>Refund and Other Liabilities.....</i>	9	(9)	227
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>\$ 1,928</b>	<b>\$ (69,713)</b>	<b>\$ 180,270</b>

**NONCASH INVESTING,  
CAPITAL AND FINANCING ACTIVITIES:**

<i>Change in Fair Value of Investments.....</i>	\$ —	\$ (3,251)	\$ —
<i>Contributions of Capital Assets from Other Funds.....</i>	—	—	—
<i>Capital Assets Acquired under Capital Leases.....</i>	—	—	—

<i>UNDERGROUND PARKING GARAGE</i>	<i>OFFICE OF AUDITOR OF STATE</i>	<i>TOTAL NONMAJOR PROPRIETARY FUNDS</i>
\$ (403)	\$ (27,901)	\$ 168,058
—	—	(69,629)
567	1,468	2,841
—	—	1,098
—	116	116
—	—	10
—	—	6
—	—	(1,343)
9	(96)	(338)
(69)	50	(3,585)
22	389	215
—	—	20
128	—	(31)
1	—	1
—	—	(10,900)
43	(1,672)	(1,402)
<b>\$ 298</b>	<b>\$ (27,646)</b>	<b>\$ 85,137</b>

\$ —	\$ —	\$ (3,251)
—	86	86
—	12	12

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## **AGENCY FUNDS**

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**Agency Funds** account for resources the State holds in a purely custodial capacity (assets equal liabilities) for individuals, private organizations, or other governments.

The **Holding and Distribution Fund** accounts for assets held until such time that a determination has been made to refund amounts to the individuals, private organizations, or other governments.

The **Centralized Child Support Collections Fund** accounts for assets temporarily held for custodial parents.

The **Retirement Systems Fund** accounts for assets held in the custody of the Treasurer of State for the Ohio Public Employees Retirement System, Ohio Police and Fire Pension Fund, School Employees Retirement System of Ohio, and State Teachers Retirement System of Ohio. While legal custodian, the Treasurer of State does not manage or provide investment services to the foregoing retirement systems.

The **Payroll Withholding and Fringe Benefits Fund** primarily accounts for assets held to liquidate the State's payroll withholding obligations.

The **Other Fund** accounts for assets held for others, which are not accounted for in another agency fund.

# **STATE OF OHIO**

## **COMBINING STATEMENT OF ASSETS AND LIABILITIES**

### **AGENCY FUNDS**

**JUNE 30, 2006**

(dollars in thousands)

	<i>HOLDING AND DISTRIBUTION</i>	<i>CENTRALIZED CHILD SUPPORT COLLECTIONS</i>	<i>RETIREMENT SYSTEMS</i>
<b>ASSETS:</b>			
<i>Cash Equity with Treasurer.....</i>	\$ 14,542	\$ —	\$ —
<i>Cash and Cash Equivalents.....</i>	1	61,810	—
<i>Investments (at fair value):</i>			
<i>U.S. Government and Agency Obligations.....</i>	—	—	10,520,492
<i>Common and Preferred Stock.....</i>	—	—	65,730,034
<i>Corporate Bonds and Notes.....</i>	—	—	11,915,607
<i>Foreign Stocks and Bonds.....</i>	—	—	33,753,554
<i>Commercial Paper.....</i>	—	—	1,915,908
<i>Repurchase Agreements.....</i>	—	—	456,000
<i>Mutual Funds.....</i>	—	—	1,381,156
<i>Real Estate.....</i>	—	—	13,553,388
<i>Venture Capital.....</i>	—	—	3,161,428
<i>Direct Mortgage Loans.....</i>	—	—	14,773,140
<i>Investment Contracts.....</i>	—	—	10,746
<i>State Treasury Asset Reserve of Ohio (STAR Ohio).....</i>	—	8,860	—
<i>Collateral on Lent Securities.....</i>	8,225	—	—
<i>Other Receivables.....</i>	1,489	—	—
<i>Other Assets.....</i>	—	—	—
<b>TOTAL ASSETS.....</b>	<b>\$ 24,257</b>	<b>\$ 70,670</b>	<b>\$ 157,171,453</b>
<b>LIABILITIES:</b>			
<i>Obligations Under Securities Lending.....</i>	\$ 8,225	\$ —	\$ —
<i>Intergovernmental Payable.....</i>	6,006	—	—
<i>Refund and Other Liabilities.....</i>	10,026	70,670	157,171,453
<b>TOTAL LIABILITIES.....</b>	<b>\$ 24,257</b>	<b>\$ 70,670</b>	<b>\$ 157,171,453</b>

<b>PAYROLL WITHHOLDING AND FRINGE BENEFITS</b>		<b>OTHER</b>	<b>TOTAL</b>
\$ 125,990	\$ 100,623	\$ 241,155	
12,743	35,487	110,041	
—	—	10,520,492	
—	—	65,730,034	
—	—	11,915,607	
—	—	33,753,554	
—	—	1,915,908	
53	—	456,053	
—	—	1,381,156	
—	—	13,553,388	
—	—	3,161,428	
—	—	14,773,140	
—	—	10,746	
—	24,936	33,796	
71,257	56,910	136,392	
—	10,472	11,961	
—	424,722	424,722	
<b>\$ 210,043</b>	<b>\$ 653,150</b>	<b>\$ 158,129,573</b>	
\$ 71,257	\$ 56,910	\$ 136,392	
357	99,258	105,621	
138,429	496,982	157,887,560	
<b>\$ 210,043</b>	<b>\$ 653,150</b>	<b>\$ 158,129,573</b>	

# STATE OF OHIO

## COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2006 (dollars in thousands)

	BALANCE July 1, 2005 (as restated)	ADDITIONS	DEDUCTIONS	BALANCE June 30, 2006
<b>HOLDING AND DISTRIBUTION</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer .....	\$ 21,698	\$ 1,284,959	\$ 1,292,115	\$ 14,542
Cash and Cash Equivalents .....	3	12,841	12,843	1
Collateral on Lent Securities .....	12,875	8,225	12,875	8,225
Other Receivables .....	1,705	1,489	1,705	1,489
Total Assets .....	<b>\$ 36,281</b>	<b>\$ 1,307,514</b>	<b>\$ 1,319,538</b>	<b>\$ 24,257</b>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 12,875	\$ 8,225	\$ 12,875	\$ 8,225
Intergovernmental Payable .....	7,078	51,067	52,139	6,006
Refund and Other Liabilities .....	16,328	997,630	1,003,932	10,026
Total Liabilities .....	<b>\$ 36,281</b>	<b>\$ 1,056,922</b>	<b>\$ 1,068,946</b>	<b>\$ 24,257</b>
<b>CENTRALIZED CHILD SUPPORT COLLECTIONS</b>				
<b>ASSETS</b>				
Cash and Cash Equivalents .....	\$ 80,139	\$ 2,089,881	\$ 2,108,210	\$ 61,810
Investments.....	10,338	646	2,124	8,860
Collateral on Lent Securities.....	269	—	269	—
Total Assets .....	<b>\$ 90,746</b>	<b>\$ 2,090,527</b>	<b>\$ 2,110,603</b>	<b>\$ 70,670</b>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 269	\$ —	\$ 269	\$ —
Refund and Other Liabilities .....	90,477	2,087,756	2,107,563	70,670
Total Liabilities .....	<b>\$ 90,746</b>	<b>\$ 2,087,756</b>	<b>\$ 2,107,832</b>	<b>\$ 70,670</b>
<b>RETIREMENT SYSTEMS</b>				
<b>ASSETS</b>				
Investments .....	\$ 145,966,678	\$ 365,889,863	\$ 354,685,088	\$ 157,171,453
Total Assets .....	<b>\$ 145,966,678</b>	<b>\$ 365,889,863</b>	<b>\$ 354,685,088</b>	<b>\$ 157,171,453</b>
<b>LIABILITIES</b>				
Refund and Other Liabilities:				
Liability to:				
Public Employees Retirement System .....	\$ 65,380,987	\$ 237,003,306	\$ 233,217,346	\$ 69,166,947
Police and Fire Pension Fund.....	9,880,013	21,799,640	21,061,789	10,617,864
School Employees Retirement System .....	9,097,689	51,826,169	50,925,249	9,998,609
State Teachers Retirement System .....	61,607,989	55,260,748	49,480,704	67,388,033
Total Liabilities .....	<b>\$ 145,966,678</b>	<b>\$ 365,889,863</b>	<b>\$ 354,685,088</b>	<b>\$ 157,171,453</b>

	<i>BALANCE</i> <i>July 1, 2005</i> <i>(as restated)</i>	<i>ADDITIONS</i>	<i>DEDUCTIONS</i>	<i>BALANCE</i> <i>June 30, 2006</i>
<b>PAYROLL WITHHOLDING AND FRINGE BENEFITS</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer .....	\$ 112,559	\$ 2,526,817	\$ 2,513,386	\$ 125,990
Cash and Cash Equivalents .....	8,820	349,460	345,537	12,743
Investments.....	90	53	90	53
Collateral on Lent Securities.....	66,788	71,257	66,788	71,257
Other Receivables.....	—	9,156	9,156	—
<b>Total Assets .....</b>	<b>\$ 188,257</b>	<b>\$ 2,956,743</b>	<b>\$ 2,934,957</b>	<b>\$ 210,043</b>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 66,788	\$ 71,257	\$ 66,788	\$ 71,257
Intergovernmental Payable .....	357	429,630	429,630	357
Refund and Other Liabilities .....	121,112	1,767,960	1,750,643	138,429
<b>Total Liabilities .....</b>	<b>\$ 188,257</b>	<b>\$ 2,268,847</b>	<b>\$ 2,247,061</b>	<b>\$ 210,043</b>
<b>OTHER</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer .....	\$ 87,170	\$ 1,954,750	\$ 1,941,297	\$ 100,623
Cash and Cash Equivalents.....	23,598	3,723,441	3,711,552	35,487
Investments .....	18,382	95,301	88,747	24,936
Collateral on Lent Securities.....	62,557	56,910	62,557	56,910
Other Receivables .....	7,482	19,469,325	19,466,335	10,472
Other Assets .....	434,194	87,869	97,341	424,722
<b>Total Assets .....</b>	<b>\$ 633,383</b>	<b>\$ 25,387,596</b>	<b>\$ 25,367,829</b>	<b>\$ 653,150</b>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 62,557	\$ 56,910	\$ 62,557	\$ 56,910
Intergovernmental Payable .....	79,235	1,952,168	1,932,145	99,258
Refund and Other Liabilities .....	491,591	23,209,558	23,204,167	496,982
<b>Total Liabilities .....</b>	<b>\$ 633,383</b>	<b>\$ 25,218,636</b>	<b>\$ 25,198,869</b>	<b>\$ 653,150</b>
<b>TOTAL AGENCY</b>				
<b>ASSETS</b>				
Cash Equity with Treasurer.....	\$ 221,427	\$ 5,766,526	\$ 5,746,798	\$ 241,155
Cash and Cash Equivalents.....	112,560	6,175,623	6,178,142	110,041
Investments .....	145,995,488	365,985,863	354,776,049	157,205,302
Collateral on Lent Securities.....	142,489	136,392	142,489	136,392
Other Receivables .....	9,187	19,479,970	19,477,196	11,961
Other Assets .....	434,194	87,869	97,341	424,722
<b>Total Assets .....</b>	<b>\$ 146,915,345</b>	<b>\$ 397,632,243</b>	<b>\$ 386,418,015</b>	<b>\$ 158,129,573</b>
<b>LIABILITIES</b>				
Obligations Under Securities Lending.....	\$ 142,489	\$ 136,392	\$ 142,489	\$ 136,392
Intergovernmental Payable .....	86,670	2,432,865	2,413,914	105,621
Refund and Other Liabilities .....	146,686,186	393,952,767	382,751,393	157,887,560
<b>Total Liabilities .....</b>	<b>\$ 146,915,345</b>	<b>\$ 396,522,024</b>	<b>\$ 385,307,796</b>	<b>\$ 158,129,573</b>

## ***NONMAJOR DISCRETELY PRESENTED COMPONENT UNIT FUNDS***

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**Nonmajor Discretely Presented Component Unit Funds** account for the financial activities of the State of Ohio's component units, organizations that are legally separate from the State's primary government and for which the primary government is financially accountable.

The **Cultural Facilities Commission Fund** accounts for the Cultural Facilities Commission's operations, including the construction of cultural arts and sports facilities at the state and local level.

The **eTech Ohio Commission Fund** accounts for the eTech Ohio Commission's operations, including programs designed to assist Ohio's public schools acquire and maximize the use of educational technology.

The **Ohio Air Quality Development Authority Fund** accounts for the Ohio Air Quality Development Authority's operations, including programs that assist Ohio's businesses, government agencies, and not-for-profit organizations with financing projects that increase energy efficiency and reduce air pollution. The Authority's financial statements are presented for the fiscal year ended December 31, 2005.

The **Ohio University Fund** accounts for the operations of Ohio University and the Ohio University Foundation. The university is located in Athens, Ohio.

The **Miami University Fund** accounts for the operations of Miami University and the Miami University Foundation. The university is located in Oxford, Ohio.

The **University of Akron Fund** accounts for the operations of the University of Akron, the University of Akron Foundation, and the University of Akron Research Foundation.

The **Bowling Green State University Fund** accounts for the operations of Bowling Green State University and the Bowling Green State University Foundation.

The **Kent State University Fund** accounts for the operations of Kent State University and the Kent State University Foundation.

The **University of Toledo Fund** accounts for the operations of the University of Toledo and the University of Toledo Foundation.

The **Cleveland State University Fund** accounts for the operations of Cleveland State University, the Cleveland State University Foundation, and the Euclid Avenue Housing Corporation.

The **Youngstown State University Fund** accounts for the operations of Youngstown State University, the Youngstown State University Foundation, and the University Housing Corporation.

The **Wright State University Fund** accounts for the operations of Wright State University and the Wright State University Foundation. The university is located in Dayton, Ohio.

The **Shawnee State University Fund** accounts for the operations of Shawnee State University and the Shawnee State University Development Foundation. The university is located in Portsmouth, Ohio.

The **Central State University Fund** accounts for the operations of Central State University and the Central State University Foundation. The university is located in Wilberforce, Ohio with a branch campus in Dayton, Ohio.

The **Medical University of Ohio** accounts for the operations of the Medical University of Ohio and its hospital, the Medical University of Ohio at Toledo Foundation, and the Medical College of Ohio Clinical Faculty, Inc.

The **Terra State Community College Fund** accounts for the operations of Terra State Community College and Terra College Foundation. The college is located in Fremont, Ohio.

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The **Columbus State Community College Fund** accounts for the operations of Columbus State Community College and the Columbus State Community College Development Foundation, Inc.

The **Clark State Community College Fund** accounts for the operations of Clark State Community College and the Clark State Community College Foundation. The college is located in Springfield, Ohio.

The **Edison State Community College Fund** accounts for the operations of Edison State Community College and the Edison Foundation, Inc. The college is located in Piqua, Ohio.

The **Southern State Community College Fund** accounts for the operations of Southern State Community College and the Southern State Community College Foundation. The college is located in Hillsboro, Ohio.

The **Washington State Community College Fund** accounts for the operations of Washington State Community College and the Washington State Foundation. The college is located in Marietta, Ohio.

The **Cincinnati State Community College Fund** accounts for the operations of Cincinnati State Community College.

The **Northwest State Community College Fund** accounts for the operations of Northwest State Community College and the Northwest State Community College Foundation. The college is located in Archbold, Ohio.

The **Owens State Community College Fund** accounts for the operations of Owens State Community College and the Owens State Community College Foundation. The college is located in Toledo, Ohio with a branch campus in Findlay, Ohio.

# STATE OF OHIO

## COMBINING STATEMENT OF NET ASSETS NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS JUNE 30, 2006 (dollars in thousands)

	CULTURAL FACILITIES COMMISSION	eTECH OHIO COMMISSION	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (as of 12/31/05)
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ 3,042	\$ 6,653	\$ 10,761
Cash and Cash Equivalents.....	—	—	3,736
Investments.....	—	—	—
Collateral on Lent Securities.....	1,720	3,763	—
Intergovernmental Receivable.....	—	—	43
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	—	885	—
Other Receivables.....	—	39	—
Inventories.....	—	—	—
Other Assets.....	4	2	8
<b>TOTAL CURRENT ASSETS.....</b>	<b>4,766</b>	<b>11,342</b>	<b>14,548</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash Equity with Treasurer.....	13,847	—	—
Cash and Cash Equivalents.....	—	—	—
Investments.....	—	—	—
Collateral on Lent Securities.....	7,832	—	—
Investments.....	—	—	—
Loans Receivable, Net.....	—	—	—
Other Receivables.....	—	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	45,873	1,021	18
Capital Assets Not Being Depreciated.....	11,858	—	—
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>79,410</b>	<b>1,021</b>	<b>18</b>
<b>TOTAL ASSETS.....</b>	<b>84,176</b>	<b>12,363</b>	<b>14,566</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	2,133	699	67
Accrued Liabilities.....	43	318	29
Obligations Under Securities Lending.....	9,552	3,763	—
Intergovernmental Payable.....	—	—	2
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	6	73	791
Bonds and Notes Payable.....	—	—	—
Certificates of Participation.....	—	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>11,734</b>	<b>4,853</b>	<b>889</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	58	528	121
Bonds and Notes Payable.....	—	—	—
Certificates of Participation.....	—	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>58</b>	<b>528</b>	<b>121</b>
<b>TOTAL LIABILITIES.....</b>	<b>11,792</b>	<b>5,381</b>	<b>1,010</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	57,731	1,021	18
Restricted for:			
Federal Programs.....	—	19	—
Coal Research and Development Program.....	—	—	7,352
Community and Economic Development and Capital Purposes...	13,847	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	—	—
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	—
Endowments and Quasi-Endowments.....	—	—	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Unrestricted (Deficits).....	806	5,942	6,186
<b>TOTAL NET ASSETS.....</b>	<b>\$ 72,384</b>	<b>\$ 6,982</b>	<b>\$ 13,556</b>

<b>OHIO UNIVERSITY</b>	<b>MIAMI UNIVERSITY</b>	<b>UNIVERSITY OF AKRON</b>	<b>BOWLING GREEN STATE UNIVERSITY</b>	<b>KENT STATE UNIVERSITY</b>	<b>UNIVERSITY OF TOLEDO</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
41,183	24,557	11,249	4,099	177,421	8,795
169,854	164,774	132,875	151,713	81,108	6,466
—	—	—	—	—	—
12,600	3,690	—	—	2,646	8,127
3,414	3,472	2,226	1,357	—	3,001
3,677	9,767	—	977	2,345	721
28,562	23,505	25,396	11,914	16,703	14,541
1,866	3,358	891	4,897	1,685	612
20,307	1,132	4,060	321	2,916	1,973
<b>281,463</b>	<b>234,255</b>	<b>176,697</b>	<b>175,278</b>	<b>284,824</b>	<b>44,236</b>
—	—	—	—	—	—
49,234	7,852	—	—	—	—
—	—	194,314	125,245	—	155,954
—	—	—	—	—	—
121,158	325,584	—	—	181,730	58,050
10,718	5,470	9,251	7,417	21,316	11,974
19,636	41,234	2,448	12,576	7,855	10,573
7,848	—	1,720	1,043	4,026	3,088
452,134	362,268	435,745	277,733	477,767	306,953
112,354	204,958	42,508	25,698	41,389	42,565
<b>773,082</b>	<b>947,366</b>	<b>685,986</b>	<b>449,712</b>	<b>734,083</b>	<b>589,157</b>
<b>1,054,545</b>	<b>1,181,621</b>	<b>862,683</b>	<b>624,990</b>	<b>1,018,907</b>	<b>633,393</b>
—	—	—	—	—	—
14,295	24,178	9,573	8,209	15,337	10,036
26,643	15,911	19,569	9,470	23,651	12,483
—	—	—	—	—	—
376	—	—	—	—	—
23,064	12,005	26,028	16,735	16,488	13,227
6,313	9,970	2,580	5,678	10,208	12,965
15,829	7,636	7,004	10,445	2,790	17,133
—	—	275	—	—	—
<b>86,520</b>	<b>69,700</b>	<b>65,029</b>	<b>50,537</b>	<b>68,474</b>	<b>65,844</b>
—	—	—	8,318	—	—
—	2,613	940	—	1,601	—
29,868	30,419	28,295	7,987	24,413	10,346
213,069	157,738	221,171	93,520	266,210	149,133
—	—	21,585	—	—	—
<b>242,937</b>	<b>190,770</b>	<b>271,991</b>	<b>109,825</b>	<b>292,224</b>	<b>159,479</b>
<b>329,457</b>	<b>260,470</b>	<b>337,020</b>	<b>160,362</b>	<b>360,698</b>	<b>225,323</b>
384,114	409,065	258,890	221,039	252,351	178,924
—	—	—	—	—	—
—	—	—	—	—	—
46,872	—	—	34,060	—	7,204
2,039	—	—	1,503	750	—
72,247	216,481	107,401	—	46,496	48,652
—	—	—	23,532	8,511	2,829
36,594	20,618	—	11,017	—	26,908
4,926	1,501	—	671	—	—
44,295	8,900	—	296	—	8,442
4,395	941	—	—	—	—
9,792	14,840	—	—	60,217	—
—	—	—	380	—	5,476
9,914	3,990	16,070	21,633	—	322
12,321	—	—	—	—	50,827
20,364	32	69,725	—	—	15,950
7,856	76,424	550	21,155	24,100	16,471
69,359	168,359	73,027	129,342	265,784	46,065
<b>\$ 725,088</b>	<b>\$ 921,151</b>	<b>\$ 525,663</b>	<b>\$ 464,628</b>	<b>\$ 658,209</b>	<b>\$ 408,070</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF NET ASSETS

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 2006

(dollars in thousands)

(continued)

	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	9,522	15,608	37,658
Investments.....	18,849	12,121	4,673
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	744	7,070
Loans Receivable, Net.....	2,481	601	2,898
Receivable from Primary Government.....	2,663	638	7,479
Other Receivables.....	16,563	6,031	12,413
Inventories.....	190	1,869	752
Other Assets.....	1,341	1,012	15,663
<b>TOTAL CURRENT ASSETS.....</b>	<b>51,609</b>	<b>38,624</b>	<b>88,606</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	—	—	—
Investments.....	70,505	143,616	15,534
Collateral on Lent Securities.....	—	—	—
Investments.....	96,346	26,594	179,746
Loans Receivable, Net.....	10,010	1,995	16,980
Other Receivables.....	6,942	2,335	9,506
Other Assets.....	3,297	534	1,719
Capital Assets Being Depreciated, Net.....	180,409	152,193	233,824
Capital Assets Not Being Depreciated.....	137,394	25,493	19,984
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>504,903</b>	<b>352,760</b>	<b>477,293</b>
<b>TOTAL ASSETS.....</b>	<b>556,512</b>	<b>391,384</b>	<b>565,899</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	9,753	1,459	10,128
Accrued Liabilities.....	5,816	7,595	9,540
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	7,973	3,915	34,987
Refund and Other Liabilities.....	14,430	3,791	12,118
Bonds and Notes Payable.....	3,021	1,758	3,563
Certificates of Participation.....	—	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>40,993</b>	<b>18,518</b>	<b>70,336</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	—
Refund and Other Liabilities.....	20,971	11,385	10,353
Bonds and Notes Payable.....	143,861	41,526	38,403
Certificates of Participation.....	—	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>164,832</b>	<b>52,911</b>	<b>48,756</b>
<b>TOTAL LIABILITIES.....</b>	<b>205,825</b>	<b>71,429</b>	<b>119,092</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	236,603	138,951	227,247
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Community and Economic Development and Capital Purposes...	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	9,887
Research.....	—	—	339
Endowments and Quasi-Endowments.....	25,643	5,050	—
Loans, Grants and Other College and University Purposes.....	—	30,974	16,188
Expendable:			
Scholarships and Fellowships.....	4,718	233	15,794
Research.....	154	827	2,819
Instructional Department Uses.....	3,970	3,750	43,540
Student and Public Services.....	459	1,572	753
Academic Support.....	5,665	—	1,371
Debt Service.....	—	1,014	233
Capital Purposes.....	641	3,618	—
Endowments and Quasi-Endowments.....	219	1,627	—
Current Operations.....	—	—	—
Loans, Grants and Other College and University Purposes.....	13,726	66	26,632
Unrestricted (Deficits).....	58,889	132,273	102,004
<b>TOTAL NET ASSETS.....</b>	<b>\$ 350,687</b>	<b>\$ 319,955</b>	<b>\$ 446,807</b>

<b>SHAWNEE STATE UNIVERSITY</b>	<b>CENTRAL STATE UNIVERSITY</b>	<b>MEDICAL UNIVERSITY OF OHIO</b>	<b>TERRA STATE COMMUNITY COLLEGE</b>	<b>COLUMBUS STATE COMMUNITY COLLEGE</b>	<b>CLARK STATE COMMUNITY COLLEGE</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
5,542	8,013	10,685	3,421	6,956	3,357
556	3,393	30,833	1,841	89,343	20,838
—	—	—	—	—	—
—	—	—	258	—	1,067
56	743	8,378	41	1	103
309	565	507	129	882	918
2,708	3,668	60,007	1,648	15,734	1,447
45	—	8,857	388	1,394	198
132	32	1,913	68	656	550
<b>9,348</b>	<b>16,414</b>	<b>121,180</b>	<b>7,794</b>	<b>114,966</b>	<b>28,478</b>
—	—	—	—	—	—
715	3,769	194	—	211	—
10,739	—	20,952	—	1,231	—
—	—	—	—	—	—
15,498	—	79,952	1,786	—	—
—	—	—	—	—	—
326	—	—	—	—	3,267
1,314	—	9,047	—	286	171
48,712	66,695	146,418	17,442	98,048	20,108
20,538	12,908	12,786	302	38,903	4,248
<b>97,842</b>	<b>83,372</b>	<b>269,349</b>	<b>19,530</b>	<b>138,679</b>	<b>27,794</b>
<b>107,190</b>	<b>99,786</b>	<b>390,529</b>	<b>27,324</b>	<b>253,645</b>	<b>56,272</b>
—	—	—	—	—	—
707	1,696	23,059	411	8,507	1,588
2,264	3,588	35,566	491	708	609
—	—	—	—	—	—
524	1,238	2,519	281	12,485	1,227
1,114	221	2,389	716	2,508	330
375	528	—	—	1,510	—
—	—	—	—	—	—
<b>4,984</b>	<b>7,271</b>	<b>63,533</b>	<b>1,899</b>	<b>25,718</b>	<b>3,754</b>
—	—	—	—	—	—
—	—	—	—	—	—
1,661	940	8,715	617	2,857	916
1,550	21,950	50,000	—	19,740	8,175
—	—	—	—	—	—
<b>3,211</b>	<b>22,890</b>	<b>58,715</b>	<b>617</b>	<b>22,597</b>	<b>9,091</b>
<b>8,195</b>	<b>30,161</b>	<b>122,248</b>	<b>2,516</b>	<b>48,315</b>	<b>12,845</b>
67,325	60,646	154,735	17,280	120,758	23,446
—	—	—	—	—	—
—	—	—	—	—	—
1,887	1,291	—	—	—	—
—	—	—	—	—	—
—	2,152	12,585	865	3,085	5,501
3,917	128	492	—	—	—
—	—	—	—	—	—
1,073	541	—	427	1,389	3,737
—	—	5,952	—	—	—
—	—	—	5	—	4
—	—	—	43	—	2,502
—	689	12,597	3	—	502
599	—	—	—	—	—
1,244	—	2,798	777	93	1,732
—	1,061	—	—	—	—
2,613	—	—	—	—	—
2,524	949	6,379	—	—	—
17,813	2,168	72,743	5,408	80,005	6,003
<b>\$ 98,995</b>	<b>\$ 69,625</b>	<b>\$ 268,281</b>	<b>\$ 24,808</b>	<b>\$ 205,330</b>	<b>\$ 43,427</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF NET ASSETS

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

JUNE 30, 2006

(dollars in thousands)

(continued)

	EDISON STATE COMMUNITY COLLEGE	SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash Equity with Treasurer.....	\$ —	\$ —	\$ —
Cash and Cash Equivalents.....	2,344	5,097	3,496
Investments.....	3,946	—	—
Collateral on Lent Securities.....	—	—	—
Intergovernmental Receivable.....	—	—	585
Loans Receivable, Net.....	—	—	—
Receivable from Primary Government.....	—	—	20
Other Receivables.....	4,720	1,521	2,550
Inventories.....	208	190	136
Other Assets.....	213	33	25
<b>TOTAL CURRENT ASSETS.....</b>	<b>11,431</b>	<b>6,841</b>	<b>6,812</b>
<b>NONCURRENT ASSETS:</b>			
Restricted Assets:			
Cash Equity with Treasurer.....	—	—	—
Cash and Cash Equivalents.....	374	—	—
Investments.....	1,708	930	117
Collateral on Lent Securities.....	—	—	—
Investments.....	3,850	—	—
Loans Receivable, Net.....	9	—	—
Other Receivables.....	1,054	—	—
Other Assets.....	—	—	—
Capital Assets Being Depreciated, Net.....	10,142	16,886	17,043
Capital Assets Not Being Depreciated.....	1,362	815	980
<b>TOTAL NONCURRENT ASSETS.....</b>	<b>18,499</b>	<b>18,631</b>	<b>18,140</b>
<b>TOTAL ASSETS.....</b>	<b>29,930</b>	<b>25,472</b>	<b>24,952</b>
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts Payable.....	415	7	139
Accrued Liabilities.....	410	396	926
Obligations Under Securities Lending.....	—	—	—
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	2,994	421	1,920
Refund and Other Liabilities.....	395	137	59
Bonds and Notes Payable.....	3,582	100	—
Certificates of Participation.....	—	—	—
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>7,796</b>	<b>1,061</b>	<b>3,044</b>
<b>NONCURRENT LIABILITIES:</b>			
Intergovernmental Payable.....	—	—	—
Unearned Revenue.....	—	—	59
Refund and Other Liabilities.....	783	551	339
Bonds and Notes Payable.....	4,434	2,500	—
Certificates of Participation.....	—	—	—
<b>TOTAL NONCURRENT LIABILITIES.....</b>	<b>5,217</b>	<b>3,051</b>	<b>398</b>
<b>TOTAL LIABILITIES.....</b>	<b>13,013</b>	<b>4,112</b>	<b>3,442</b>
<b>NET ASSETS:</b>			
Invested in Capital Assets, Net of Related Debt.....	11,537	14,852	18,023
Restricted for:			
Federal Programs.....	—	—	—
Coal Research and Development Program.....	—	—	—
Community and Economic Development and Capital Purposes...	—	—	—
Nonexpendable:			
Scholarships and Fellowships.....	—	—	131
Research.....	—	—	—
Endowments and Quasi-Endowments.....	76	2,274	—
Loans, Grants and Other College and University Purposes.....	—	—	—
Expendable:			
Scholarships and Fellowships.....	—	98	110
Research.....	—	—	—
Instructional Department Uses.....	—	—	—
Student and Public Services.....	—	—	—
Academic Support.....	—	—	—
Debt Service.....	—	—	—
Capital Purposes.....	—	—	876
Endowments and Quasi-Endowments.....	90	—	—
Current Operations.....	2,783	—	—
Loans, Grants and Other College and University Purposes.....	—	1,076	—
Unrestricted (Deficits).....	2,431	3,060	2,370
<b>TOTAL NET ASSETS.....</b>	<b>\$ 16,917</b>	<b>\$ 21,360</b>	<b>\$ 21,510</b>

CINCINNATI STATE COMMUNITY COLLEGE	NORTHWEST STATE COMMUNITY COLLEGE	OWENS STATE COMMUNITY COLLEGE	TOTAL NONMAJOR COMPONENT UNITS
\$ 11,026	\$ 4,610	\$ 14,477	\$ 20,456
—	2,627	7,888	412,852
—	—	—	903,698
—	—	—	5,483
1,569	—	1,107	39,506
—	—	115	28,887
277	9	1,885	34,653
5,018	1,286	17,713	273,687
26	205	966	28,733
631	—	2,655	55,647
<b>18,547</b>	<b>8,737</b>	<b>46,806</b>	<b>1,803,602</b>
—	—	—	13,847
1	524	—	62,874
—	207	—	741,052
—	—	—	7,832
—	—	—	1,090,294
84	—	650	95,874
—	—	—	117,752
449	—	—	34,542
91,291	13,820	59,713	3,532,256
2,583	1,338	11,429	772,393
<b>94,408</b>	<b>15,889</b>	<b>71,792</b>	<b>6,468,716</b>
<b>112,955</b>	<b>24,626</b>	<b>118,598</b>	<b>8,272,318</b>
1,168	905	1,463	145,932
900	432	2,915	180,273
—	—	—	13,315
—	—	—	378
3,542	513	14,439	196,525
4,825	650	1,614	93,881
175	—	178	75,627
—	—	—	275
<b>10,610</b>	<b>2,500</b>	<b>20,609</b>	<b>706,206</b>
—	—	797	9,115
—	—	—	5,213
307	232	2,135	194,797
48,626	—	401	1,482,007
—	—	—	21,585
<b>48,933</b>	<b>232</b>	<b>3,333</b>	<b>1,712,717</b>
<b>59,543</b>	<b>2,732</b>	<b>23,942</b>	<b>2,418,923</b>
45,915	15,122	70,563	2,986,156
—	—	—	19
—	—	—	7,352
—	—	—	13,847
—	535	—	101,867
—	—	—	4,631
—	—	885	549,393
121	—	—	86,692
—	55	451	123,763
—	—	—	16,850
52	17	306	113,577
—	—	—	10,665
—	—	—	105,676
—	—	—	7,702
—	361	—	64,069
—	—	—	66,145
—	5	—	111,472
—	102	107	198,117
7,324	5,697	22,344	1,285,402
<b>\$ 53,412</b>	<b>\$ 21,894</b>	<b>\$ 94,656</b>	<b>\$ 5,853,395</b>

# STATE OF OHIO

## COMBINING STATEMENT OF ACTIVITIES

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(dollars in thousands)

	CULTURAL FACILITIES COMMISSION	eTECH OHIO COMMISSION	OHIO AIR QUALITY DEVELOPMENT AUTHORITY (for the year ended 12/31/05)
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ —	\$ 34,874	\$ —
Community and Economic Development.....	16,279	—	7,400
Education and General:			
Instruction and Departmental Research.....	—	—	—
Separately Budgeted Research.....	—	—	—
Public Service.....	—	—	—
Academic Support.....	—	—	—
Student Services.....	—	—	—
Institutional Support.....	—	—	—
Operation and Maintenance of Plant.....	—	—	—
Scholarships and Fellowships.....	—	—	—
Auxiliary Enterprises.....	—	—	—
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	—	—	—
Depreciation.....	—	—	4
Other.....	—	—	—
<b>TOTAL EXPENSES</b> .....	<b>16,279</b>	<b>34,874</b>	<b>7,404</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	62	2,616	1,300
Operating Grants, Contributions and Restricted Investment Income.....	851	374	1,136
Capital Grants, Contributions and Restricted Investment Income.....	—	—	—
<b>TOTAL PROGRAM REVENUES</b> .....	<b>913</b>	<b>2,990</b>	<b>2,436</b>
<b>NET PROGRAM (EXPENSE) REVENUE</b> .....	<b>(15,366)</b>	<b>(31,884)</b>	<b>(4,968)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	—	—	397
State Assistance.....	30,921	33,835	—
Other.....	—	—	3
<b>TOTAL GENERAL REVENUES</b> .....	<b>30,921</b>	<b>33,835</b>	<b>400</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL</b> .....			
<b>CHANGE IN NET ASSETS</b> .....	<b>15,555</b>	<b>1,951</b>	<b>(4,568)</b>
<b>NET ASSETS, JULY 1 (as restated)</b> .....	<b>56,829</b>	<b>5,031</b>	<b>18,124</b>
<b>NET ASSETS, JUNE 30</b> .....	<b>\$ 72,384</b>	<b>\$ 6,982</b>	<b>\$ 13,556</b>

<i>OHIO UNIVERSITY</i>	<i>MIAMI UNIVERSITY</i>	<i>UNIVERSITY OF AKRON</i>	<i>BOWLING GREEN STATE UNIVERSITY</i>	<i>KENT STATE UNIVERSITY</i>	<i>UNIVERSITY OF TOLEDO</i>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
192,696	160,128	113,219	114,911	167,275	126,353
34,116	11,623	19,790	7,400	14,315	19,366
20,169	2,908	15,660	9,007	15,212	4,503
57,106	49,275	27,718	39,081	37,407	32,517
25,551	21,045	11,404	24,211	24,818	18,190
29,249	37,078	47,808	28,789	45,710	28,663
39,771	32,477	23,781	22,762	31,271	18,409
11,633	10,723	18,026	16,177	16,320	14,276
64,784	91,513	44,232	68,720	75,449	51,624
—	—	—	—	—	—
6,425	4,691	10,924	4,554	13,532	7,567
30,932	26,074	26,448	19,229	27,349	20,355
6,944	4,118	955	2,474	344	3,698
<b>519,376</b>	<b>451,653</b>	<b>359,965</b>	<b>357,315</b>	<b>469,002</b>	<b>345,521</b>
333,203	320,227	193,482	249,887	350,840	197,692
51,000	47,878	77,183	20,168	—	69,920
2,532	3,419	1,524	4,049	—	280
<b>386,735</b>	<b>371,524</b>	<b>272,189</b>	<b>274,104</b>	<b>350,840</b>	<b>267,892</b>
<b>(132,641)</b>	<b>(80,129)</b>	<b>(87,776)</b>	<b>(83,211)</b>	<b>(118,162)</b>	<b>(77,629)</b>
24,434	46,182	—	14,899	27,561	1,831
163,700	96,474	106,858	86,569	125,697	94,611
—	—	—	2,344	20,790	—
<b>188,134</b>	<b>142,656</b>	<b>106,858</b>	<b>103,812</b>	<b>174,048</b>	<b>96,442</b>
<b>4,395</b>	<b>13,550</b>	<b>(225)</b>	<b>—</b>	<b>—</b>	<b>1,151</b>
<b>59,888</b>	<b>76,077</b>	<b>18,857</b>	<b>20,601</b>	<b>55,886</b>	<b>19,964</b>
<b>665,200</b>	<b>845,074</b>	<b>506,806</b>	<b>444,027</b>	<b>602,323</b>	<b>388,106</b>
<b>\$ 725,088</b>	<b>\$ 921,151</b>	<b>\$ 525,663</b>	<b>\$ 464,628</b>	<b>\$ 658,209</b>	<b>\$ 408,070</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF ACTIVITIES

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(dollars in thousands)

(continued)

	CLEVELAND STATE UNIVERSITY	YOUNGSTOWN STATE UNIVERSITY	WRIGHT STATE UNIVERSITY
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	86,848	62,665	106,036
Separately Budgeted Research.....	12,480	956	31,906
Public Service.....	17,048	4,946	8,323
Academic Support.....	23,085	11,355	66,786
Student Services.....	18,452	8,015	14,171
Institutional Support.....	25,087	26,654	26,312
Operation and Maintenance of Plant.....	16,795	13,483	15,399
Scholarships and Fellowships.....	11,779	10,917	12,185
Auxiliary Services.....	15,919	22,168	23,565
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	365	736	1,256
Depreciation.....	15,103	9,381	13,651
Other.....	—	1,893	4,892
<b>TOTAL EXPENSES.....</b>	<b>242,961</b>	<b>173,169</b>	<b>324,482</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	121,986	92,172	141,900
Operating Grants, Contributions and Restricted Investment Income.....	27,446	5,594	98,349
Capital Grants, Contributions and Restricted Investment Income.....	38	15,491	11,909
<b>TOTAL PROGRAM REVENUES.....</b>	<b>149,470</b>	<b>113,257</b>	<b>252,158</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(93,491)</b>	<b>(59,912)</b>	<b>(72,324)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	3,457	11,207	6,581
State Assistance.....	86,744	47,194	102,712
Other.....	10,580	2,918	66
<b>TOTAL GENERAL REVENUES.....</b>	<b>100,781</b>	<b>61,319</b>	<b>109,359</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>			
<b>CHANGE IN NET ASSETS.....</b>	<b>—</b>	<b>2,341</b>	<b>—</b>
<b>NET ASSETS, JULY 1 (as restated).....</b>	<b>7,290</b>	<b>3,748</b>	<b>37,035</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>343,397</b>	<b>316,207</b>	<b>409,772</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 350,687</b>	<b>\$ 319,955</b>	<b>\$ 446,807</b>

<b>SHAWNEE STATE UNIVERSITY</b>	<b>CENTRAL STATE UNIVERSITY</b>	<b>MEDICAL UNIVERSITY OF OHIO</b>	<b>TERRA STATE COMMUNITY COLLEGE</b>	<b>COLUMBUS STATE COMMUNITY COLLEGE</b>	<b>CLARK STATE COMMUNITY COLLEGE</b>
\$	\$	\$	\$	\$	\$
15,420	9,405	43,253	5,873	54,739	6,245
—	564	19,610	—	—	—
3,420	6,675	1,118	2,188	5,730	2,427
2,525	5,360	11,548	483	4,434	895
3,462	3,288	1,828	911	9,362	1,957
6,632	7,655	7,324	3,188	20,508	4,143
4,186	4,362	11,688	1,370	10,808	2,131
4,738	3,250	1,378	208	15,103	1,121
4,184	6,662	52,986	1,008	9,362	3,033
—	—	196,372	—	—	—
146	1,214	2,018	23	961	—
2,117	3,310	15,320	973	3,920	1,351
14	732	1,740	57	2,599	1
<b>46,844</b>	<b>52,477</b>	<b>366,183</b>	<b>16,282</b>	<b>137,526</b>	<b>23,304</b>
17,770	13,275	303,172	6,055	89,477	8,752
11,241	17,075	22,993	3,683	2,499	6,721
—	—	6,382	20	1,148	654
<b>29,011</b>	<b>30,350</b>	<b>332,547</b>	<b>9,758</b>	<b>93,124</b>	<b>16,127</b>
<b>(17,833)</b>	<b>(22,127)</b>	<b>(33,636)</b>	<b>(6,524)</b>	<b>(44,402)</b>	<b>(7,177)</b>
1,910	334	8,208	257	3,102	305
19,645	28,196	36,817	6,181	59,213	8,863
—	—	—	—	—	368
<b>21,555</b>	<b>28,530</b>	<b>45,025</b>	<b>6,438</b>	<b>62,315</b>	<b>9,536</b>
—	—	122	—	—	642
3,722	6,403	11,511	(86)	17,913	3,001
95,273	63,222	256,770	24,894	187,417	40,426
<b>\$ 98,995</b>	<b>\$ 69,625</b>	<b>\$ 268,281</b>	<b>\$ 24,808</b>	<b>\$ 205,330</b>	<b>\$ 43,427</b>

(continued)

# STATE OF OHIO

## COMBINING STATEMENT OF ACTIVITIES

### NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

(dollars in thousands)

(continued)

	EDISON STATE COMMUNITY COLLEGE	SOUTHERN STATE COMMUNITY COLLEGE	WASHINGTON STATE COMMUNITY COLLEGE
<b>EXPENSES:</b>			
Primary, Secondary and Other Education.....	\$ —	\$ —	\$ —
Community and Economic Development.....	—	—	—
Education and General:			
Instruction and Departmental Research.....	6,701	5,842	5,866
Separately Budgeted Research.....	—	1	—
Public Service.....	732	1,567	—
Academic Support.....	353	1,609	1,838
Student Services.....	1,806	1,578	1,570
Institutional Support.....	3,792	1,371	3,543
Operation and Maintenance of Plant.....	1,293	1,345	1,259
Scholarships and Fellowships.....	520	3,310	417
Auxiliary Services.....	1,006	2,979	1,556
Hospitals.....	—	—	—
Interest on Long-Term Debt.....	70	—	—
Depreciation.....	699	880	740
Other.....	124	—	—
<b>TOTAL EXPENSES.....</b>	<b>17,096</b>	<b>20,482</b>	<b>16,789</b>
<b>PROGRAM REVENUES:</b>			
Charges for Services, Fees, Fines and Forfeitures.....	9,455	9,901	6,094
Operating Grants, Contributions and Restricted Investment Income.....	1,856	4,218	5,449
Capital Grants, Contributions and Restricted Investment Income.....	475	—	—
<b>TOTAL PROGRAM REVENUES.....</b>	<b>11,786</b>	<b>14,119</b>	<b>11,543</b>
<b>NET PROGRAM (EXPENSE) REVENUE .....</b>	<b>(5,310)</b>	<b>(6,363)</b>	<b>(5,246)</b>
<b>GENERAL REVENUES:</b>			
Unrestricted Investment Income.....	381	108	117
State Assistance.....	6,204	5,918	6,007
Other.....	—	185	98
<b>TOTAL GENERAL REVENUES.....</b>	<b>6,585</b>	<b>6,211</b>	<b>6,222</b>
<b>ADDITIONS (DEDUCTIONS) TO ENDOWMENTS AND PERMANENT FUND PRINCIPAL.....</b>			
<b>CHANGE IN NET ASSETS.....</b>	<b>—</b>	<b>301</b>	<b>—</b>
<b>NET ASSETS, JULY 1 (as restated).....</b>	<b>1,275</b>	<b>149</b>	<b>976</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>15,642</b>	<b>21,211</b>	<b>20,534</b>
<b>NET ASSETS, JUNE 30.....</b>	<b>\$ 16,917</b>	<b>\$ 21,360</b>	<b>\$ 21,510</b>

<i>CINCINNATI STATE COMMUNITY COLLEGE</i>	<i>NORTHWEST STATE COMMUNITY COLLEGE</i>	<i>OWENS STATE COMMUNITY COLLEGE</i>	<i>TOTAL NONMAJOR COMPONENT UNITS</i>
\$ —	\$ —	\$ —	\$ 34,874 23,679
25,383	7,959	40,634 194	1,357,451 172,321
—	—	2,083	126,011
1,416	879	4,120	382,503
3,957	1,051	6,342	204,747
5,725	1,061	13,591	382,674
10,972	4,605	9,475	269,949
6,785	1,099	3,152	157,789
1,223	1,333	8,217	553,110
2,159	1,984	—	196,372
—	—	—	56,768
2,282	4	—	227,636
4,797	970	4,033	30,622
<b>64,699</b>	<b>20,945</b>	<b>91,878</b>	<b>4,176,506</b>
39,189	8,731	32,527	2,549,765
—	3,758	21,365	500,757
82	—	44	48,047
<b>39,271</b>	<b>12,489</b>	<b>53,936</b>	<b>3,098,569</b>
<b>(25,428)</b>	<b>(8,456)</b>	<b>(37,942)</b>	<b>(1,077,937)</b>
316	282	1,006	152,875
28,250	7,924	41,381	1,229,914
—	—	510	37,862
<b>28,566</b>	<b>8,206</b>	<b>42,897</b>	<b>1,420,651</b>
—	—	—	<b>22,277</b>
<b>3,138</b>	<b>(250)</b>	<b>4,955</b>	<b>364,991</b>
<b>50,274</b>	<b>22,144</b>	<b>89,701</b>	<b>5,488,404</b>
<b>\$ 53,412</b>	<b>\$ 21,894</b>	<b>\$ 94,656</b>	<b>\$ 5,853,395</b>

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**SCHOOL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2006**  
(dollars in thousands)

**SPECIAL REVENUE FUND**

	<u>ADMINISTRATION</u>	<u>SCHOOL BUILDING ASSISTANCE PROGRAM</u>	<u>PUBLIC SCHOOL BUILDING PROGRAM</u>
<b>ASSETS:</b>			
Cash Equity with Treasurer .....	\$ 1,092	\$ 140,410	\$ 159,967
Collateral on Lent Securities .....	617	79,412	90,473
Intergovernmental Receivable .....	—	—	—
Loans Receivable, Net .....	—	—	657
Other Assets .....	30	—	—
<b>TOTAL ASSETS</b> .....	<b>\$ 1,739</b>	<b>\$ 219,822</b>	<b>\$ 251,097</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts Payable .....	\$ 114	\$ 9,034	\$ 517
Accrued Liabilities .....	259	—	—
Obligations Under Securities Lending .....	617	79,412	90,473
Intergovernmental Payable .....	—	1,196,973	6,114
Refund and Other Liabilities .....	—	—	285
<b>TOTAL LIABILITIES</b> .....	<b>990</b>	<b>1,285,419</b>	<b>97,389</b>
<b>FUND BALANCES:</b>			
Reserved for:			
Encumbrances .....	483	—	6,303
Noncurrent Portion of Loans Receivable .....	—	—	657
Loan Commitments .....	—	—	3,535
Other:			
Prepays .....	30	—	—
Primary, Secondary and Other Education .....	—	—	10,822
Compensated Absences .....	56	—	—
Unreserved/Undesignated (Deficits) .....	180	(1,065,597)	132,391
<b>TOTAL FUND BALANCES (DEFICITS)</b> .....	<b>749</b>	<b>(1,065,597)</b>	<b>153,708</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 1,739</b>	<b>\$ 219,822</b>	<b>\$ 251,097</b>

<u>EDUCATIONAL FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>VOCATIONAL SCHOOL BUILDING ASSISTANCE</u>	<u>TOTAL</u>
\$ 256,987	\$ —	\$ 3,387	\$ 561,843
145,345	—	1,916	317,763
—	757	—	757
—	—	7,312	7,969
—	—	—	30
<b>\$ 402,332</b>	<b>\$ 757</b>	<b>\$ 12,615</b>	<b>\$ 888,362</b>
\$ 1,083	\$ 5	\$ —	\$ 10,753
—	—	—	259
145,345	—	1,916	317,763
942,174	752	—	2,146,013
—	—	—	285
<b>1,088,602</b>	<b>757</b>	<b>1,916</b>	<b>2,475,073</b>
—	28	—	6,814
—	—	7,056	7,713
—	—	—	3,535
—	—	—	30
—	—	—	10,822
—	—	—	56
(686,270)	(28)	3,643	(1,615,681)
<b>(686,270)</b>	<b>—</b>	<b>10,699</b>	<b>(1,586,711)</b>
<b>\$ 402,332</b>	<b>\$ 757</b>	<b>\$ 12,615</b>	<b>\$ 888,362</b>

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# **STATE OF OHIO**

**RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SCHOOL FACILITIES COMMISSION  
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT  
JUNE 30, 2006  
(dollars in thousands)**

**SCHOOL  
FACILITIES  
COMMISSION**

<b>Total Fund Balances.....</b>	<b>\$ (1,586,711)</b>
---------------------------------	-----------------------

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

<i>Machinery and Equipment, net of \$116 accumulated depreciation.....</i>	<i>35</i>
--	-----------

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

<i>Refund and Other Liabilities-Compensated Absences.....</i>	<i>(684)</i>
---	--------------

<b>Total Net Assets.....</b>	<b>\$ (1,587,360)</b>
------------------------------	-----------------------

**STATE OF OHIO**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**SCHOOL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

	<b>SPECIAL REVENUE FUND</b>		
	<u>ADMINISTRATION</u>	<u>SCHOOL BUILDING ASSISTANCE PROGRAM</u>	<u>PUBLIC SCHOOL BUILDING PROGRAM</u>
<b>REVENUES:</b>			
State Assistance.....	\$ —	\$ 599,392	\$ 80,000
Sales, Services and Charges.....	6	—	—
Federal Government.....	—	—	—
Investment Income.....	62	4,257	4,883
Other.....	6	1,729	1,026
<b>TOTAL REVENUES</b> .....	<b>74</b>	<b>605,378</b>	<b>85,909</b>
<b>EXPENDITURES:</b>			
<b>CURRENT OPERATING:</b>			
Primary, Secondary and Other Education .....	6,469	—	9,624
<b>TOTAL EXPENDITURES</b> .....	<b>6,469</b>	<b>—</b>	<b>9,624</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....			
	(6,395)	605,378	76,285
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers-in.....	5,608	—	—
Transfers-out .....	—	—	(4,857)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>5,608</b>	<b>—</b>	<b>(4,857)</b>
<b>NET CHANGES IN FUND BALANCES</b> .....	(787)	605,378	71,428
<b>FUND BALANCES (DEFICITS), JULY 1 (as restated)</b> .....	1,536	(1,670,975)	82,280
<b>FUND BALANCES (DEFICITS), JUNE 30</b> .....	<u>\$ 749</u>	<u>\$ (1,065,597)</u>	<u>\$ 153,708</u>

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<u>EDUCATIONAL FACILITIES</u>	<u>FEDERAL SCHOOL FACILITIES</u>	<u>VOCATIONAL SCHOOL BUILDING ASSISTANCE</u>	<u>TOTAL</u>
\$ 221,435	\$ —	\$ 10,598	\$ 911,425
1	—	—	7
—	1,481	—	1,481
9,687	—	101	18,990
—	—	—	2,761
<b><u>231,123</u></b>	<b><u>1,481</u></b>	<b><u>10,699</u></b>	<b><u>934,664</u></b>
 <b><u>538,554</u></b>	 <b><u>860</u></b>	 <b><u>—</u></b>	 <b><u>555,507</u></b>
<b><u>538,554</u></b>	<b><u>860</u></b>	<b><u>—</u></b>	<b><u>555,507</u></b>
 <b><u>(307,431)</u></b>	 <b><u>621</u></b>	 <b><u>10,699</u></b>	 <b><u>379,157</u></b>
 <b><u>—</u></b>	 <b><u>—</u></b>	 <b><u>—</u></b>	 <b><u>5,608</u></b>
<b><u>(751)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>(5,608)</u></b>
<b><u>(751)</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
 <b><u>(308,182)</u></b>	 <b><u>621</u></b>	 <b><u>10,699</u></b>	 <b><u>379,157</u></b>
 <b><u>(378,088)</u></b>	 <b><u>(621)</u></b>	 <b><u>—</u></b>	 <b><u>(1,965,868)</u></b>
 <b><u>\$ (686,270)</u></b>	 <b><u>\$ —</u></b>	 <b><u>\$ 10,699</u></b>	 <b><u>\$ (1,586,711)</u></b>

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# **STATE OF OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
SCHOOL FACILITIES COMMISSION  
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

<i>SCHOOL FACILITIES COMMISSION</i>	<i>\$ 379,157</i>
<i>Net Change in Fund Balances.....</i>	<i>\$ 379,157</i>
The change in net assets reported for governmental activities in the Statement of Activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
<i>Depreciation Expense.....</i>	<i>(13)</i>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	<i>(621)</i>
Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.	<i>(131)</i>
<i>Change in Net Assets .....</i>	<i>\$ 378,392</i>

**STATE OF OHIO**  
**COMBINING BALANCE SHEET**  
**CULTURAL FACILITIES COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2006**  
(dollars in thousands)

**SPECIAL REVENUE FUND**

	<u>ADMINISTRATION</u>	<i>CULTURAL &amp; SPORTS FACILITIES</i>	<i>BUILDING IMPROVEMENTS</i>	<u>CAPITAL DONATIONS</u>
<b>ASSETS:</b>				
<i>Cash Equity with Treasurer</i> .....	\$ 762	\$ 15,946	\$ 181	
<i>Collateral on Lent Securities</i> .....	431	9,019		102
<i>Other Assets</i> .....	4	—		—
<b>TOTAL ASSETS</b> .....	<b>\$ 1,197</b>	<b>\$ 24,965</b>		<b>\$ 283</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
<i>Accounts Payable</i> .....	\$ 34	\$ 2,099	\$ —	
<i>Accrued Liabilities</i> .....	43	—	—	
<i>Obligations Under Securities Lending</i> .....	431	9,019		102
<b>TOTAL LIABILITIES</b> .....	<b>508</b>	<b>11,118</b>		<b>102</b>
<b>FUND BALANCES:</b>				
Reserved for:				
<i>Encumbrances</i> .....	22	15,752		—
Other:				
<i>Prepays</i> .....	4	—	—	
<i>Compensated Absences</i> .....	8	—	—	
<i>Unreserved/Undesignated (Deficits)</i> .....	655	(1,905)		181
<b>TOTAL FUND BALANCES</b> .....	<b>689</b>	<b>13,847</b>		<b>181</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b> .....	<b>\$ 1,197</b>	<b>\$ 24,965</b>		<b>\$ 283</b>

*TOTAL*

---

\$	16,889
	9,552
	4
<hr/>	<hr/>
\$	<b>26,445</b>

\$	2,133
	43
<hr/>	<hr/>
	9,552
<hr/>	<hr/>
	11,728

	15,774
	4
	8
<hr/>	<hr/>
	(1,069)
<hr/>	<hr/>
	14,717
<hr/>	<hr/>
\$	<b>26,445</b>

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# **STATE OF OHIO**

**RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
CULTURAL FACILITIES COMMISSION  
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT  
JUNE 30, 2006  
(dollars in thousands)**

**CULTURAL  
FACILITIES  
COMMISSION**

<b>Total Fund Balances.....</b>	<b>\$ 14,717</b>
---------------------------------	------------------

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

<i>Land.....</i>	<i>11,858</i>
<i>Buildings, net of \$14,398 accumulated depreciation.....</i>	<i>45,873</i>
	<hr/>
	<b><i>57,731</i></b>

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

<i>Refund and Other Liabilities-Compensated Absences.....</i>	<i>(64)</i>
<b>Total Net Assets.....</b>	<b>\$ 72,384</b>

**STATE OF OHIO****COMBINING STATEMENT OF REVENUES, EXPENDITURES AND****CHANGES IN FUND BALANCES****CULTURAL FACILITIES COMMISSION****DISCRETELY PRESENTED COMPONENT UNIT****FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

**SPECIAL REVENUE FUND**

	<u>ADMINISTRATION</u>	<u>CULTURAL &amp; SPORTS FACILITIES BUILDING</u>	<u>IMPROVEMENTS</u>	<u>CAPITAL DONATIONS</u>
<b>REVENUES:</b>				
State Assistance.....	\$ —	\$ 30,921	\$ —	\$ —
Sales, Services and Charges.....	24	—	—	—
Investment Income.....	36	808	—	7
Other.....	2	—	—	38
<b>TOTAL REVENUES</b> .....	<b>62</b>	<b>31,729</b>	<b>—</b>	<b>45</b>
<b>EXPENDITURES:</b>				
<b>CURRENT OPERATING:</b>				
Community and Economic Development.....	879	14,058	—	—
<b>TOTAL EXPENDITURES</b> .....	<b>879</b>	<b>14,058</b>	<b>—</b>	<b>—</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....				
.....	(817)	17,671	—	45
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers-in.....	1,120	—	—	—
Transfers-out.....	—	(1,120)	—	—
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>1,120</b>	<b>(1,120)</b>	<b>—</b>	<b>—</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>303</b>	<b>16,551</b>	<b>45</b>	
<b>FUND BALANCES, (DEFICITS), JULY 1</b> .....	<b>386</b>	<b>(2,704)</b>	<b>—</b>	<b>136</b>
<b>FUND BALANCES, JUNE 30</b> .....	<b>\$ 689</b>	<b>\$ 13,847</b>	<b>\$ 181</b>	

*TOTAL*

\$	30,921
	24
	851
	40
<hr/>	<b><u>31,836</u></b>

<hr/>	14,937
<hr/>	<b><u>14,937</u></b>

<hr/>	<b><u>16,899</u></b>
-------	----------------------

<hr/>	1,120
<hr/>	(1,120)
<hr/>	—

<hr/>	<b><u>16,899</u></b>
<hr/>	(2,182)

<hr/>	<b><u>\$ 14,717</u></b>
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# **STATE OF OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
CULTURAL FACILITIES COMMISSION  
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

**CULTURAL  
FACILITIES  
COMMISSION**

<b>Net Change in Fund Balances.....</b>	<b>\$ 16,899</b>
---	------------------

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

<i>Depreciation Expense.....</i>	<u>(1,340)</u>
----------------------------------	----------------

Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.

<b>Change in Net Assets .....</b>	<b><u>\$ 15,555</u></b>
-----------------------------------	-------------------------

**STATE OF OHIO**  
**BALANCE SHEET**  
**eTECH OHIO COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2006**  
(dollars in thousands)

**eTECH OHIO  
COMMISSION**

**ASSETS:**

Cash Equity with Treasurer .....	\$ 6,653
Collateral on Lent Securities.....	3,763
Receivable from Primary Government.....	885
Other Receivables .....	39
Other Assets.....	<u>2</u>
<b>TOTAL ASSETS.....</b>	<b><u>\$ 11,342</u></b>

**LIABILITIES AND FUND BALANCE:**

**LIABILITIES:**

Accounts Payable.....	\$ 699
Accrued Liabilities.....	318
Obligations Under Securities Lending .....	<u>3,763</u>
<b>TOTAL LIABILITIES .....</b>	<b><u>4,780</u></b>

**FUND BALANCE:**

Reserved for:

Encumbrances .....	248
Federal Programs .....	19
Other:	
Prepays.....	2
Compensated Absences.....	5
Unreserved/Undesignated .....	<u>6,288</u>
<b>TOTAL FUND BALANCE .....</b>	<b><u>6,562</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE .....</b>	<b><u>\$ 11,342</u></b>

# **STATE OF OHIO**

**RECONCILIATION OF THE BALANCE SHEET**

**TO THE STATEMENT OF NET ASSETS**

**eTECH OHIO COMMISSION**

**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT**

**JUNE 30, 2006**

(dollars in thousands)

**eTECH  
OHIO  
COMMISSION**

<b>Total Fund Balances.....</b>	<b>\$ 6,562</b>
---------------------------------	-----------------

Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. Those assets consist of:

<i>Machinery and Equipment, net of \$2,219 accumulated depreciation.....</i>	<i>1,021</i>
--	--------------

The following liabilities are not due and payable in the current period, and therefore, are not reported in the funds.

<i>Refund and Other Liabilities-Compensated Absences.....</i>	<i>(601)</i>
---	--------------

<b>Total Net Assets.....</b>	<b>\$ 6,982</b>
------------------------------	-----------------

**STATE OF OHIO**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**eTECH OHIO COMMISSION**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2006**  
(dollars in thousands)

**eTECH OHIO  
COMMISSION**

**REVENUES:**

State Assistance.....	\$ 33,842
Licenses, Permits and Fees.....	4
Federal Government.....	374
Other.....	2,613
<b>TOTAL REVENUES.....</b>	<b><u>36,833</u></b>

**EXPENDITURES:**

**CURRENT OPERATING:**

Primary, Secondary and Other Education .....	35,349
<b>TOTAL EXPENDITURES .....</b>	<b><u>35,349</u></b>

**NET CHANGE IN FUND BALANCE .....** **1,484**

**FUND BALANCE, JULY 1 .....** **5,078**

**FUND BALANCE, JUNE 30.....** **\$ 6,562**

# **STATE OF OHIO**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES**

**TO THE STATEMENT OF ACTIVITIES**

**eTECH OHIO COMMISSION**

**DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNIT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

(dollars in thousands)

**eTECH  
OHIO  
COMMISSION**

<b><i>Net Change in Fund Balance.....</i></b>	<b>\$ 1,484</b>
---	-----------------

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

<i>Capital Outlay Expenditures.....</i>	<i>61</i>
<i>Depreciation Expense.....</i>	<i>484</i>
<i>Excess of Capital Outlay Over Depreciation Expense.....</i>	<i>545</i>

Expenses for compensated absences reported in the Statement of Activities are not reported as expenditures in the governmental funds.

<b><i>Change in Net Assets.....</i></b>	<b><i>(78)</i></b>
---	--------------------

**(78)**

**\$ 1,951**

# **STATISTICAL SECTION**



## **STATISTICAL SECTION**

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This section of the State of Ohio's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

	<u>Pages</u>
<b>Financial Trends</b> .....	241-249
These schedules contain trend information to assist the reader in understanding how the State's financial performance and condition have changed over time.	
<b>Revenue Capacity</b> .....	250-257
These schedules contain information to assist the reader in assessing the State's two most significant own-source revenues: income taxes and sales taxes.	
<b>Debt Capacity</b> .....	258-262
These schedules present information to assist the reader in assessing the affordability of the State's current levels of outstanding debt and its ability to issue additional debt in the future.	
<b>Economic and Demographic Information</b> .....	263-264
These schedules offer economic and demographic indicators to assist the reader in understanding the environment within which the State's financial activities take place.	
<b>Operating Information</b> .....	265-268
These schedules contain service and infrastructure data to assist the reader in understanding how the information in the State's financial report relates to the services the State provides and to the activities it performs.	

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**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. In fiscal year 2002, the State implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*; consequently, schedules presenting government-wide information commence with that year.

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# STATE OF OHIO

## NET ASSETS BY COMPONENT FOR THE LAST FIVE FISCAL YEARS

(accrual basis of accounting)  
(dollars in thousands)

	2006	2005	2004	2003	2002
<b>GOVERNMENTAL ACTIVITIES:</b>					
Invested in Capital Assets, Net of Related Debt.....	\$20,889,063	\$20,285,186	\$19,941,259	\$19,261,553	\$18,653,976
Restricted for:					
Constitutional Provisions:					
Primary, Secondary and Other Education.....	9,607	8,200	15,862	5,128	5,759
Transportation and Highway Safety.....	921,993	744,913	698,428	638,615	819,829
State and Local Highway Construction.....	127,121	129,299	126,517	124,022	124,957
Externally Imposed Constraints:					
Federal Programs.....	75,776	38,656	32,858	75,967	48,997
Coal Research and Development Program.....	—	—	—	8,488	17,340
Clean Ohio Program.....	93,682	41,673	80,530	79,457	51,358
Community and Economic Development and Capital Purposes.....	883,385	935,842	924,533	929,213	810,275
Enterprise Bond Program.....	10,000	10,000	10,000	10,000	—
Total Restricted Net Assets.....	<u>2,121,564</u>	<u>1,908,583</u>	<u>1,888,728</u>	<u>1,870,890</u>	<u>1,878,515</u>
Unrestricted (Deficits).....	<u>(4,067,042)</u>	<u>(3,988,883)</u>	<u>(4,331,377)</u>	<u>(4,277,649)</u>	<u>(2,979,838)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES NET ASSETS...</b>	<b><u>\$18,943,585</u></b>	<b><u>\$18,204,886</u></b>	<b><u>\$17,498,610</u></b>	<b><u>\$16,854,794</u></b>	<b><u>\$17,552,653</u></b>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Invested in Capital Assets, Net of Related Debt.....	\$ 10,363	\$ (1,839)	\$ 5,873	\$ 19,827	\$ 24,197
Restricted for:					
Externally Imposed Constraints:					
Workers' Compensation.....	—	—	866,307	545,756	1,880,808
Deferred Lottery Prizes.....	56,669	102,614	83,603	169,822	97,040
Unemployment Compensation.....	675,666	663,921	809,037	1,286,679	1,912,422
Ohio Building Authority.....	28,041	26,996	28,457	24,600	28,003
Auditor of State's Office.....	—	—	—	—	406
Total Restricted Net Assets.....	<u>760,376</u>	<u>793,531</u>	<u>1,787,404</u>	<u>2,026,857</u>	<u>3,918,679</u>
Unrestricted (Deficits).....	<u>(247,241)</u>	<u>(1,141,542)</u>	<u>(223,611)</u>	<u>(264,186)</u>	<u>(12,846)</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES NET ASSETS....</b>	<b><u>\$ 523,498</u></b>	<b><u>\$ (349,850)</u></b>	<b><u>\$ 1,569,666</u></b>	<b><u>\$ 1,782,498</u></b>	<b><u>\$ 3,930,030</u></b>
<b>PRIMARY GOVERNMENT:</b>					
Invested in Capital Assets, Net of Related Debt.....	\$20,899,426	\$20,283,347	\$19,947,132	\$19,281,380	\$18,678,173
Restricted.....	2,881,940	2,702,114	3,676,132	3,897,747	5,797,194
Unrestricted (Deficits).....	(4,314,283)	(5,130,425)	(4,554,988)	(4,541,835)	(2,992,684)
<b>TOTAL PRIMARY GOVERNMENT NET ASSETS.....</b>	<b><u>\$19,467,083</u></b>	<b><u>\$17,855,036</u></b>	<b><u>\$19,068,276</u></b>	<b><u>\$18,637,292</u></b>	<b><u>\$21,482,683</u></b>

### Note:

When practical, net assets reported on the above table have been restated for prior period adjustments, corrections, and reclassifications. However, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expense activity reported for the applicable fiscal years on the "Changes in Net Assets" table may not have been determined for presentation on that table.

**STATE OF OHIO**  
**CHANGES IN NET ASSETS**  
**FOR THE LAST FIVE FISCAL YEARS**  
*(accrual basis of accounting)*  
*(dollars in thousands)*

	2006	2005	2004	2003
<b>EXPENSES:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Primary, Secondary and Other Education.....	\$ 11,157,283	\$ 10,500,807	\$ 10,234,524	\$ 8,498,696
Higher Education Support.....	2,608,007	2,475,281	2,494,828	2,515,379
Public Assistance and Medicaid.....	14,909,149	14,247,598	13,557,787	12,683,617
Health and Human Services.....	3,526,763	3,333,997	2,950,880	2,930,071
Justice and Public Protection.....	3,111,577	2,972,666	2,809,295	2,435,774
Environmental Protection and Natural Resources.....	406,632	397,852	397,884	403,445
Transportation.....	1,925,841	2,080,958	1,433,439	1,532,040
General Government.....	952,248	670,146	607,376	486,013
Community and Economic Development.....	3,618,550	3,432,302	3,493,357	827,530
Intergovernmental.....	—	—	—	3,587,357
Interest on Long-Term Debt (excludes interest charged as program expense).....	175,732	175,700	189,583	195,559
<b>TOTAL GOVERNMENTAL ACTIVITIES EXPENSES.....</b>	<b>42,391,782</b>	<b>40,287,307</b>	<b>38,168,953</b>	<b>36,095,481</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Workers' Compensation.....	2,011,480	3,232,669	3,072,477	4,088,796
Lottery Commission.....	1,625,309	1,581,100	1,575,279	1,523,764
Unemployment Compensation.....	1,161,776	1,194,040	1,639,014	1,838,949
Ohio Building Authority.....	25,797	27,327	27,524	30,824
Tuition Trust Authority.....	67,162	30,214	118,834	388,469
Liquor Control.....	423,373	401,187	374,507	354,547
Underground Parking Garage.....	2,993	2,692	2,199	2,515
Office of Auditor of State.....	71,729	73,501	75,758	84,087
<b>TOTAL BUSINESS-TYPE ACTIVITIES EXPENSES.....</b>	<b>5,389,619</b>	<b>6,542,730</b>	<b>6,885,592</b>	<b>8,311,951</b>
<b>TOTAL PRIMARY GOVERNMENT EXPENSES.....</b>	<b>\$ 47,781,401</b>	<b>\$ 46,830,037</b>	<b>\$ 45,054,545</b>	<b>\$ 44,407,432</b>
<b>PROGRAM REVENUES:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
Charges for Services, Fees, Fines and Forfeitures:				
Public Assistance and Medicaid.....	\$ 639,821	\$ 612,629	\$ 556,006	\$ 526,679
Justice and Public Protection.....	912,421	850,032	832,787	694,517
General Government.....	474,975	405,805	413,028	330,249
Community and Economic Development.....	288,490	313,724	295,078	260,705
Other Activities.....	494,550	372,243	432,251	364,752
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	14,336,540	13,774,602	12,979,579	11,772,552
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	1,288,100	1,088,146	890,444	930,497
<b>TOTAL GOVERNMENTAL ACTIVITIES PROGRAM REVENUES.....</b>	<b>18,434,897</b>	<b>17,417,181</b>	<b>16,399,173</b>	<b>14,879,951</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Charges for Services, Fees, Fines and Forfeitures:				
Workers' Compensation.....	2,118,571	2,213,121	2,138,634	2,184,192
Lottery Commission.....	2,227,386	2,164,857	2,166,512	2,083,108
Unemployment Compensation.....	1,163,397	1,044,500	61,033	50,634
Liquor Control.....	606,905	556,213	520,161	493,195
Other Activities.....	81,555	77,414	110,820	178,340
Operating Grants, Contributions and Restricted Investment Income/(Loss).....	883,003	1,183,511	2,455,783	1,895,246
Capital Grants, Contributions and Restricted Investment Income/(Loss).....	—	—	332	956
<b>TOTAL BUSINESS-TYPE ACTIVITIES PROGRAM REVENUES.....</b>	<b>7,080,817</b>	<b>7,239,616</b>	<b>7,453,275</b>	<b>6,885,671</b>
<b>TOTAL PRIMARY GOVERNMENT PROGRAM REVENUES.....</b>				
<b>PROGRAM REVENUES.....</b>	<b>\$ 25,515,714</b>	<b>\$ 24,656,797</b>	<b>\$ 23,852,448</b>	<b>\$ 21,765,622</b>

2002

\$	8,141,634
	2,710,111
	11,953,033
	2,847,339
	2,451,328
	371,103
	1,507,932
	762,725
	831,994
	3,552,148
	203,811
	<b><u>35,333,158</u></b>

	4,565,493
	1,467,203
	1,660,148
	33,724
	284,960
	339,294
	2,336
	78,302
	<b><u>8,431,460</u></b>
\$	<b><u>43,764,618</u></b>

\$	509,184
	702,145
	444,342
	291,876
	335,025
	11,230,106
	942,200
	<b><u>14,454,878</u></b>

	2,376,252
	1,988,124
	694,090
	470,515
	237,346

(59,232)

**5,707,095**

**\$ 20,161,973**

(Continued)

**STATE OF OHIO**  
**CHANGES IN NET ASSETS**  
**FOR THE LAST FIVE FISCAL YEARS**  
*(accrual basis of accounting)*  
*(dollars in thousands)*  
*(continued)*

	2006	2005	2004	2003
<b>NET (EXPENSE) REVENUE:</b>				
Governmental Activities.....	\$ (23,956,885)	\$ (22,870,126)	\$ (21,769,780)	\$ (21,215,530)
Business-Type Activities.....	1,691,198	696,886	567,683	(1,426,280)
<b>TOTAL PRIMARY GOVERNMENT NET (EXPENSE).....</b>	<b>\$ (22,265,687)</b>	<b>\$ (22,173,240)</b>	<b>\$ (21,202,097)</b>	<b>\$ (22,641,810)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
<b>TAXES:</b>				
Income.....	\$ 9,854,803	\$ 9,450,119	\$ 8,526,572	\$ 8,231,233
Sales.....	7,623,513	8,135,552	7,915,493	6,470,645
Corporate and Public Utility.....	2,359,338	1,838,882	1,755,736	1,682,945
Cigarette.....	1,084,143	577,699	557,543	599,943
Other.....	645,856	651,646	641,273	649,027
Restricted for Transportation Purposes:				
Motor Vehicle Fuel Taxes.....	1,850,939	1,753,390	1,631,631	1,462,608
<b>TOTAL TAXES.....</b>	<b>23,418,592</b>	<b>22,407,288</b>	<b>21,028,248</b>	<b>19,096,401</b>
Tobacco Settlement.....	336,044	321,335	316,799	345,075
Escheat Property.....	93,782	91,867	74,268	43,173
Unrestricted Investment Income.....	128,772	46,797	18,159	5,285
Federal.....	—	—	193,033	193,033
Other.....	295	287	1,940	1,802
Transfers-Internal Activities.....	818,636	807,653	781,149	755,855
<b>TOTAL GOVERNMENTAL ACTIVITIES.....</b>	<b>24,796,121</b>	<b>23,675,227</b>	<b>22,413,596</b>	<b>20,440,624</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Unrestricted Investment Income.....	—	2,040	622	29,726
Federal.....	—	—	12	44
Other.....	932	5,837	—	4,833
Transfers-Internal Activities.....	(818,636)	(807,653)	(781,149)	(755,855)
<b>TOTAL BUSINESS-TYPE ACTIVITIES.....</b>	<b>(817,704)</b>	<b>(799,776)</b>	<b>(780,515)</b>	<b>(721,252)</b>
<b>TOTAL PRIMARY GOVERNMENT.....</b>	<b>\$ 23,978,417</b>	<b>\$ 22,875,451</b>	<b>\$ 21,633,081</b>	<b>\$ 19,719,372</b>
<b>CHANGE IN NET ASSETS:</b>				
Governmental Activities.....	\$ 839,236	\$ 805,101	\$ 643,816	\$ (774,906)
Business-Type Activities.....	873,494	(102,890)	(212,832)	(2,147,532)
<b>TOTAL PRIMARY GOVERNMENT .....</b>	<b>\$ 1,712,730</b>	<b>\$ 702,211</b>	<b>\$ 430,984</b>	<b>\$ (2,922,438)</b>

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**Notes:**

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

For comparative purposes, data for fiscal years 2002 and 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expense function to other functions.

	2002
\$ (20,878,280)	
(2,724,365)	
<b><u>\$ (23,602,645)</u></b>	

\$ 7,961,718	
6,413,916	
1,640,433	
—	
895,414	
<b><u>1,451,767</u></b>	
<b><u>18,363,248</u></b>	
368,588	
50,745	
72,262	
—	
33	
743,821	
<b><u>19,598,697</u></b>	
—	
346,891	
2,475	
(743,821)	
<b><u>(394,455)</u></b>	
<b><u>\$ 19,204,242</u></b>	
\$ (1,279,583)	
(3,118,820)	
<b><u>\$ (4,398,403)</u></b>	

# STATE OF OHIO

## CHANGES IN FUND BALANCES FOR GOVERNMENTAL FUNDS FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>REVENUES:</b>										
Income Taxes.....	\$ 9,726,268	\$ 9,398,979	\$ 8,479,900	\$ 8,210,130	\$ 7,982,461	\$ 8,302,892	\$ 8,098,155	\$ 7,143,344	\$ 6,828,242	\$ 5,879,016
Sales Taxes.....	7,623,513	8,135,552	7,915,493	6,470,643	6,385,248	6,248,705	6,233,089	5,834,299	5,560,402	5,262,460
Corporate and Public Utility Taxes...	2,359,337	1,838,883	1,755,736	1,682,943	1,640,433	1,726,263	1,697,970	1,817,641	1,969,190	1,897,439
Motor Vehicle Fuel Taxes.....	1,850,940	1,753,389	1,631,632	1,462,608	1,451,767	1,457,454	1,459,374	1,445,679	1,399,948	1,351,476
Cigarette Taxes.....	1,084,143	577,698	557,543	599,943	281,292	282,481	287,710	290,566	296,645	298,407
Other Taxes.....	645,857	651,647	641,274	649,027	614,122	647,857	625,376	626,939	593,906	574,462
Licenses, Permits and Fees.....	2,137,549	1,851,739	1,804,291	1,564,429	1,521,736	1,219,605	1,156,379	1,137,577	1,109,895	1,073,907
Sales, Services and Charges.....	77,071	83,846	85,547	87,628	94,597	83,891	86,981	81,731	76,091	79,051
Federal Government.....	15,421,095	14,640,717	13,893,741	12,791,973	11,734,436	10,433,668	9,321,234	8,697,800	8,349,038	8,454,831
Tobacco Settlement.....	294,725	321,050	316,322	369,619	368,588	315,812	412,270	—	—	—
Escheat Property.....	145,695	118,719	103,767	84,642	52,628	—	—	—	—	—
Investment Income.....	440,623	228,186	110,876	121,592	282,457	486,817	443,566	554,915	554,523	418,799
Other .....	627,312	640,076	577,637	526,164	635,812	514,544	481,856	481,748	473,432	436,154
<b>TOTAL REVENUES.....</b>	<b>42,434,128</b>	<b>40,240,481</b>	<b>37,873,759</b>	<b>34,621,341</b>	<b>33,045,577</b>	<b>31,719,989</b>	<b>30,303,960</b>	<b>28,112,239</b>	<b>27,211,312</b>	<b>25,726,002</b>
<b>EXPENDITURES:</b>										
Current Operating:										
Primary, Secondary and										
Other Education.....	11,026,085	10,377,748	10,127,804	8,451,164	8,142,972	7,194,883	6,634,181	6,403,978	5,927,471	5,449,086
Higher Education Support.....	2,499,074	2,369,279	2,386,570	2,408,059	2,449,614	506,511	439,137	377,868	354,530	422,482
Public Assistance and Medicaid....	14,907,511	14,240,939	13,617,263	12,731,148	11,854,582	10,894,942	9,488,379	8,561,652	8,462,208	8,367,021
Health and Human Services.....	3,461,571	3,276,589	3,098,669	2,894,321	2,792,890	2,555,221	2,613,853	2,548,360	2,485,176	2,328,762
Justice and Public Protection.....	3,055,124	2,903,061	2,522,823	2,348,232	2,378,120	2,232,421	2,167,402	2,035,739	1,870,507	1,761,521
Environmental Protection and										
Natural Resources.....	395,016	379,273	365,511	369,119	355,576	340,574	354,180	330,069	315,522	299,607
Transportation.....	2,185,928	2,077,669	1,807,912	1,942,040	1,897,807	1,756,201	1,680,736	1,497,553	1,494,130	1,465,258
General Government.....	792,645	585,161	493,237	501,966	733,591	468,791	575,576	661,011	625,275	528,592
Community and Economic										
Development.....	3,549,065	3,362,574	3,380,557	718,088	748,185	541,166	452,516	398,905	391,893	344,950
Intergovernmental .....	—	—	—	3,573,227	3,563,306	3,361,184	3,257,632	2,898,094	2,735,799	2,570,501
Capital Outlay.....	485,904	466,913	458,118	498,066	465,843	411,817	629,753	1,256,271	1,248,346	1,138,286
Debt service:										
Principal.....	1,126,643	1,162,970	877,116	815,034	783,411	765,832	697,880	673,592	620,862	644,315
Interest.....	332,622	253,260	458,330	435,970	410,193	371,705	356,115	350,533	401,556	389,633
<b>TOTAL EXPENDITURES.....</b>	<b>43,817,188</b>	<b>41,455,436</b>	<b>39,593,910</b>	<b>37,686,434</b>	<b>36,576,090</b>	<b>31,401,248</b>	<b>29,347,340</b>	<b>27,993,625</b>	<b>26,933,275</b>	<b>25,710,014</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER)</b>										
<b>EXPENDITURES.....</b>	<b>(1,383,060)</b>	<b>(1,214,955)</b>	<b>(1,720,151)</b>	<b>(3,065,093)</b>	<b>(3,530,513)</b>	<b>318,741</b>	<b>956,620</b>	<b>118,614</b>	<b>278,037</b>	<b>15,988</b>

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>OTHER FINANCING SOURCES (USES):</b>										
Bonds and Certificates of Participation Issued.....	1,524,269	1,347,285	1,574,566	1,405,000	1,200,000	903,828	1,102,374	1,270,485	871,309	1,296,255
Refunding Bonds Issued.....	156,240	706,835	247,297	1,025,040	341,451	504,786	—	173,500	339,431	342,661
Payment to Refunded Bond										
Escrow Agents.....	(172,770)	(768,952)	(260,146)	(1,091,881)	(339,042)	(499,750)	—	(173,376)	(338,895)	(341,716)
Premiums.....	71,475	142,926	111,270	188,952	37,124	—	—	—	—	—
Discounts.....	—	(94)	(7,923)	(33,649)	(2)	—	—	—	—	—
Capital Leases.....	4,959	335	400	3,391	1,480	—	4,924	2,257	13,720	3,970
Transfers-in.....	3,319,821	3,323,250	3,246,329	3,250,997	3,203,580	3,121,285	3,409,874	3,470,045	3,222,734	3,008,449
Transfers-out.....	(2,501,185)	(2,515,597)	(2,465,180)	(2,495,142)	(2,459,759)	(2,361,079)	(2,648,146)	(2,698,223)	(2,422,736)	(2,202,129)
Transfers to Component Units.....	—	—	—	—	—	(2,250,914)	(1,671,985)	(1,564,910)	(1,520,432)	(1,410,667)
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<b>2,402,809</b>	<b>2,235,988</b>	<b>2,446,613</b>	<b>2,252,708</b>	<b>1,984,832</b>	<b>(581,844)</b>	<b>197,041</b>	<b>479,778</b>	<b>165,131</b>	<b>696,823</b>
<b>NET CHANGE IN FUND BALANCES:</b>	<b>\$ 1,019,749</b>	<b>\$ 1,021,033</b>	<b>\$ 726,462</b>	<b>\$ (812,385)</b>	<b>\$ (1,545,681)</b>	<b>\$ (263,103)</b>	<b>\$ 1,153,661</b>	<b>\$ 598,392</b>	<b>\$ 443,168</b>	<b>\$ 712,811</b>
Debt Service as a Percentage of Noncapital Expenditures.....	3.5%	3.6%	3.5%	3.5%	3.4%	3.8%	3.8%	N/A	N/A	N/A
<b>Additional Information:</b>										
Increase (Decrease) for Changes in Inventories.....	\$12,636	(\$1,102)	\$1,710	(\$8,143)	\$105	(\$3,961)	\$1,367	(\$2,792)	\$382	\$986
Residual Equity Transfers (Net).....	N/A	N/A	N/A	N/A	N/A	(\$2,168)	(\$3,732)	(\$5,656)	(\$5,147)	(\$5,737)

#### Notes:

Revenues, expenditures, and other financing sources (uses) have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

- For comparative purposes, data for fiscal years 1997 through 2001 have not been restated for the following items, which impacted the governmental funds amounts shown for fiscal year 201 and thereafter:
  - The implementation of the reporting provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.
  - The reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had been reported in the General Fund.
  - Expenditure data presented after fiscal year 2001 includes payments to colleges and universities that were reported as "Transfers to Component Units" in previous years.
- For comparative purposes, data for fiscal years 1997 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.
- The expenditure data for fiscal years 1997 through 1999 have not been restated for a reclassification of capital outlay expenditures to the "Higher Education Support" function and the "Intergovernmental" expenditure character. Therefore, the debt service as a percentage of noncapital expenditures is not presented for these years since the resulting percentages would not be comparable with subsequent years.

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**FUND BALANCES OF GOVERNMENTAL FUNDS  
FOR THE LAST TEN FISCAL YEARS**

(modified accrual basis of accounting)

(dollars in thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>GENERAL FUND:</b>										
Reserved .....	\$ 617,733	\$ 627,395	\$ 661,238	\$ 557,638	\$ 556,036	\$ 2,154,861	\$ 1,485,966	\$ 1,562,040	\$ 1,518,040	\$ 1,438,917
Unreserved (Deficits).....	1,291,950	649,420	105,333	(452,491)	206,214	(46,466)	1,035,085	1,078,032	1,093,155	880,141
<b>TOTAL GENERAL FUND</b> .....	<b>1,909,683</b>	<b>1,276,815</b>	<b>766,571</b>	<b>105,147</b>	<b>762,250</b>	<b>2,108,395</b>	<b>2,521,051</b>	<b>2,640,072</b>	<b>2,611,195</b>	<b>2,319,058</b>
<b>ALL OTHER GOVERNMENTAL FUNDS:</b>										
Reserved.....	6,371,192	6,194,524	5,240,145	4,863,068	4,684,021	5,149,718	6,009,038	4,653,153	4,092,366	3,736,401
Unreserved (Deficits), reported in:										
Special Revenue Funds.....	(2,048,150)	(2,369,192)	(1,614,473)	(1,229,230)	(586,200)	(1,068,729)	(1,764,304)	(159,344)	35,916	(68,886)
Debt Service Funds.....	—	—	—	(49)	(21)	(473)	—	558	599	950
Capital Projects Funds.....	(165,591)	33,139	(178,063)	(252,928)	(331,359)	(94,797)	(355,200)	(180,739)	(447,492)	(129,842)
<b>TOTAL ALL OTHER GOVERNMENTAL FUNDS</b> .....	<b>4,157,451</b>	<b>3,858,471</b>	<b>3,447,609</b>	<b>3,380,861</b>	<b>3,766,441</b>	<b>3,985,719</b>	<b>3,889,534</b>	<b>4,313,628</b>	<b>3,681,389</b>	<b>3,538,623</b>
<b>TOTAL GOVERNMENTAL FUNDS</b> .....	<b>\$ 6,067,134</b>	<b>\$ 5,135,286</b>	<b>\$ 4,214,180</b>	<b>\$ 3,486,008</b>	<b>\$ 4,528,691</b>	<b>\$ 6,094,114</b>	<b>\$ 6,410,585</b>	<b>\$ 6,953,700</b>	<b>\$ 6,292,584</b>	<b>\$ 5,857,681</b>

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**Note:**

When practical, fund balances reported on the above table have been restated for prior period adjustments, corrections, and reclassifications. However, restatements do not include changes in reporting entity. For comparative purposes, however, the effects of such adjustments and corrections on the revenue and expenditure activity reported for the applicable fiscal years on the "Changes in Fund Balances for Governmental Funds" table and the "Condensed Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund" table may not have been determined for presentation on each of the two respective tables.

# STATE OF OHIO

## CONDENSED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE GENERAL FUND FOR THE LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

(dollars in thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>REVENUES:</b>										
Income Taxes .....	\$ 8,889,463	\$ 8,563,376	\$ 7,645,597	\$ 7,374,239	\$ 7,129,512	\$ 7,446,990	\$ 7,243,856	\$ 6,389,926	\$ 6,107,084	\$ 5,257,395
Sales Taxes .....	7,302,441	7,816,395	7,596,254	6,153,743	6,066,023	5,922,333	5,919,129	5,539,780	5,277,997	4,995,691
Corporate and Public Utility Taxes.....	1,774,113	1,468,576	1,381,752	1,302,968	1,276,159	1,604,402	1,604,604	1,718,482	1,862,497	1,794,592
Cigarette Taxes.....	1,084,142	577,671	557,532	599,941	281,290	282,481	287,709	290,563	296,627	298,407
Other Taxes .....	584,689	591,998	580,143	595,498	556,946	590,225	573,888	578,993	548,188	529,883
Licenses, Permits and Fees .....	209,054	148,877	121,953	115,199	100,858	101,352	96,954	94,789	96,411	87,511
Sales, Services and Charges .....	46,067	41,911	44,233	44,899	51,211	40,895	45,738	43,586	38,947	42,031
Federal Government.....	5,526,049	5,724,597	5,904,388	5,251,885	4,563,370	4,508,747	3,993,184	3,658,824	3,385,998	3,563,004
Escheat Property .....	145,695	118,719	103,767	84,642	52,628	—	—	—	—	—
Investment Income .....	305,425	140,891	43,029	33,095	145,483	234,590	287,937	399,520	381,574	277,337
Other .....	177,066	259,019	240,020	192,573	273,750	197,029	189,241	183,221	161,077	168,587
<b>TOTAL REVENUES</b> .....	<b>26,044,204</b>	<b>25,452,030</b>	<b>24,218,668</b>	<b>21,748,682</b>	<b>20,497,230</b>	<b>20,929,044</b>	<b>20,242,240</b>	<b>18,897,684</b>	<b>18,156,400</b>	<b>17,014,438</b>
<b>EXPENDITURES:</b>										
Current Operating .....	25,215,213	24,439,150	23,696,295	21,131,783	20,547,608	19,522,704	17,894,051	16,711,404	15,882,598	15,089,141
Intergovernmental.....	—	—	—	1,294,797	1,227,313	1,189,845	1,081,828	1,033,066	982,955	942,690
Capital Outlay .....	204	—	—	—	—	—	24,862	15,607	38,806	123,217
Debt Service .....	536	543	541	2,300	2,286	2,276	2,320	1,794	1,831	528
<b>TOTAL EXPENDITURES</b> .....	<b>25,215,953</b>	<b>24,439,693</b>	<b>23,696,836</b>	<b>22,428,880</b>	<b>21,777,207</b>	<b>20,714,825</b>	<b>19,003,061</b>	<b>17,761,871</b>	<b>16,906,190</b>	<b>16,155,576</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> .....	<b>828,251</b>	<b>1,012,337</b>	<b>521,832</b>	<b>(680,198)</b>	<b>(1,279,977)</b>	<b>214,219</b>	<b>1,239,179</b>	<b>1,135,813</b>	<b>1,250,210</b>	<b>858,862</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Bonds Issued .....	629,392	419,349	613,000	470,000	400,000	—	—	—	—	—
Premiums.....	921	26	—	—	6,029	—	—	—	—	—
Capital Leases .....	4,959	122	260	2,692	1,451	—	2,668	1,575	4,737	1,107
Transfers-in .....	365,326	366,376	543,443	630,122	617,185	207,488	142,267	201,151	180,176	142,605
Transfers-out .....	(1,201,618)	(1,216,051)	(1,019,566)	(991,261)	(977,731)	(1,061,119)	(1,302,412)	(1,308,827)	(1,142,014)	(847,794)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<b>(201,020)</b>	<b>(430,178)</b>	<b>137,137</b>	<b>111,553</b>	<b>46,934</b>	<b>(853,631)</b>	<b>(1,157,477)</b>	<b>(1,106,101)</b>	<b>(957,101)</b>	<b>(704,082)</b>
<b>NET CHANGE IN FUND BALANCES</b> .....	<b>627,231</b>	<b>582,159</b>	<b>658,969</b>	<b>(568,645)</b>	<b>(1,233,043)</b>	<b>(639,412)</b>	<b>81,702</b>	<b>29,712</b>	<b>293,109</b>	<b>154,780</b>
<b>FUND BALANCES, JULY 1</b> .....	1,276,815	695,788	105,147	762,250	2,108,395	2,521,051	2,640,072	2,611,195	2,319,058	2,167,739
Increase (Decrease) for Changes in Inventories.....	5,637	(1,132)	2,455	(818)	105	(741)	511	(835)	(972)	(2,252)
Residual Equity Transfers-out .....	—	—	—	—	—	—	—	—	—	—
<b>FUND BALANCES, JUNE 30</b> .....	<b>\$ 1,909,683</b>	<b>\$ 1,276,815</b>	<b>\$ 766,571</b>	<b>\$ 192,787</b>	<b>\$ 875,457</b>	<b>\$ 1,880,898</b>	<b>\$ 2,722,285</b>	<b>\$ 2,640,072</b>	<b>\$ 2,611,195</b>	<b>\$ 2,320,267</b>

**Notes:**

The July 1 fund balances, revenues, and expenditures have been restated for prior period adjustments, corrections, and reclassifications, when practical. Significant items of note are as follows:

- For comparative purposes, revenue data for fiscal years 1997 through 2001 have not been restated for the effects of reclassification of the State's previously reported Unclaimed Funds Expendable Trust Fund to the General Fund. Accordingly, prior to fiscal year 2002, escheat property revenue had not been reported in the General Fund.
- Current expenditures presented for fiscal years 1997 through 2001 have been restated to include amounts previously reported as "Transfers to Component Units."
- For comparative purposes, data for fiscal years 1997 through 2003 have not been restated for the effects of reclassifying the "Intergovernmental" expenditure function to other functions.

**STATE OF OHIO**  
**TAX REVENUES OF GOVERNMENTAL FUNDS BY MAJOR SOURCE**  
**FOR THE LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*  
*(dollars in thousands)*

<u>Year</u>	<u>State Income Taxes</u>	<u>State Sales Taxes</u>	<u>Total</u>
2006	\$9,726,268	\$7,623,513	\$17,349,781
2005	9,398,979	8,135,552	17,534,531
2004	8,479,900	7,915,493	16,395,393
2003	8,210,130	6,470,643	14,680,773
2002	7,982,461	6,385,248	14,367,709
2001	8,302,892	6,248,705	14,551,597
2000	8,098,155	6,233,089	14,331,244
1999	7,143,344	5,834,299	12,977,643
1998	6,828,242	5,560,402	12,388,644
1997	5,879,016	5,262,460	11,141,476

# **STATE OF OHIO**

**PERSONAL INCOME BY INDUSTRY  
AND DIRECT STATE INCOME TAX RATES  
FOR THE LAST TEN CALENDAR YEARS**  
(dollars in millions)

Industry	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Services.....	\$97,988	\$93,224	\$82,694	\$84,835	\$82,306	\$58,012	\$55,182	\$51,987	\$48,511	\$45,475
Manufacturing.....	55,000	54,686	55,520	52,775	52,703	54,255	54,358	53,928	52,317	51,493
Government.....	43,648	42,545	38,966	37,656	35,906	33,385	31,380	26,041	25,120	24,242
Wholesale and Retail Trade.....	34,049	33,379	32,395	31,910	31,735	36,309	34,230	33,276	31,148	29,465
Finance, Insurance, and Real Estate.....	22,251	22,179	20,850	19,534	18,912	16,107	15,163	13,974	12,545	11,525
Construction.....	15,459	14,730	14,110	13,891	13,865	13,075	12,555	11,667	10,822	10,134
Transportation and Public Utilities.....	12,055	11,164	10,725	10,438	10,332	12,972	12,306	11,710	10,933	10,509
Other .....	84,869	84,867	87,273	80,929	79,960	98,317	90,469	80,337	79,345	79,234
Total Personal Income.....	<u>\$365,319</u>	<u>\$356,774</u>	<u>\$342,533</u>	<u>\$331,968</u>	<u>\$325,719</u>	<u>\$322,432</u>	<u>\$305,643</u>	<u>\$282,920</u>	<u>\$270,741</u>	<u>\$262,077</u>
Direct State Income Tax Rates.....	2.66%	2.63%	2.48%	2.47%	2.46%	2.57%	2.65%	2.51%	2.51%	2.25%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Department of Taxation

**STATE OF OHIO**

**SALES TAX REVENUE BY TYPE  
FOR THE LAST TEN FISCAL YEARS**

(cash basis of accounting)  
(dollars in thousands)

Type	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Vendors' Sales.....	\$6,621,450	\$6,957,051	\$6,601,482	\$5,630,678	\$5,322,500	\$4,710,651	\$4,680,221	\$4,385,969	\$4,131,889	\$3,954,565
Motor Vehicles and Watercraft.....	994,121	1,122,538	1,183,196	1,024,026	965,261	1,470,319	1,474,251	1,352,136	1,263,594	1,135,403
Alcoholic Beverages.....	27,118	26,878	24,918	20,341	19,562	18,671	17,547	16,626	16,036	15,446
Delinquencies and Assessments.....	30,354	24,867	25,099	26,389	36,215	37,468	47,663	66,853	136,680	145,673
Permissive Taxes:										
County Levies.....	13,044	12,157	11,984	11,360	10,910	10,854	10,737	10,218	9,843	9,191
Transit Authorities.....	2,929	2,907	2,835	2,764	2,662	2,748	2,670	2,497	2,360	2,182
Total Sales Tax Revenue..	<u>\$7,689,016</u>	<u>\$8,146,398</u>	<u>\$7,849,514</u>	<u>\$6,715,558</u>	<u>\$6,357,110</u>	<u>\$6,250,711</u>	<u>\$6,233,089</u>	<u>\$5,834,299</u>	<u>\$5,560,402</u>	<u>\$5,262,460</u>

Source: Ohio Office of Budget and Management

# **STATE OF OHIO**

## **RATES FOR STATE INDIVIDUAL INCOME TAX AND SALES TAX FOR THE LAST TEN YEARS**

### **MARGINAL INCOME TAX RATES BY CALENDAR YEAR**

Ohio Taxable Income	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
\$0 - \$5,000	0.712%	0.743%	0.743%	0.743%	0.743%	0.691%	0.716%	0.673%	0.713%	0.693%
\$5,001 - \$10,000	1.424%	1.486%	1.486%	1.486%	1.486%	1.383%	1.432%	1.347%	1.426%	1.387%
\$10,001 - \$15,000	2.847%	2.972%	2.972%	2.972%	2.972%	2.766%	2.864%	2.694%	2.853%	2.775%
\$15,001 - \$20,000	3.559%	3.715%	3.715%	3.715%	3.715%	3.458%	3.580%	3.368%	3.566%	3.469%
\$20,001 - \$40,000	4.270%	4.457%	4.457%	4.457%	4.457%	4.148%	4.295%	4.040%	4.279%	4.162%
\$40,001 - \$80,000	4.983%	5.201%	5.201%	5.201%	5.201%	4.841%	5.012%	4.715%	4.993%	4.857%
\$80,001 - \$100,000	5.693%	5.943%	5.943%	5.943%	5.943%	5.531%	5.727%	5.388%	5.706%	5.550%
\$100,001 - \$200,000	6.610%	6.900%	6.900%	6.900%	6.900%	6.422%	6.650%	6.255%	6.624%	6.444%
\$200,001 & above	7.185%	7.500%	7.500%	7.500%	7.500%	6.980%	7.228%	6.799%	7.201%	7.004%

### **SALES TAX RATES BY FISCAL YEAR**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Base State Sales Tax Rates	5.50%	6.00%	6.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%

Source: Ohio Department of Taxation

# **STATE OF OHIO**

## **STATE INDIVIDUAL INCOME TAX RATES FOR THE LAST TEN CALENDAR YEARS**

<b>Year</b>	<b>Top Rate for Income in Excess of \$200,000</b>	<b>Personal Exemption for Taxpayer and Spouse</b>	<b>Dependent Exemption</b>	<b>Exemption Credit per Taxpayer, Spouse, and Dependent</b>	<b>Average Effective Rate(A)</b>
2005	7.185%	\$1,350	\$1,350	\$20	2.66%
2004	7.500%	1,300	1,300	20	2.64%
2003	7.500%	1,250	1,250	20	2.48%
2002	7.500%	1,200	1,200	20	2.47%
2001	7.500%	1,150	1,150	20	2.46%
2000	6.980%	1,100	1,100	20	2.57%
1999	7.228%	1,050	1,050	20	2.65%
1998	6.799%	950	1,050	20	2.51%
1997	7.201%	850	1,050	20	2.51%
1996	7.004%	750	850	20	2.25%

**Sources:**

U.S. Department of Commerce, Bureau of Economic Analysis  
Ohio Department of Taxation

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**Note:**

(A) The average effective rate is calculated by dividing individual income tax revenue (cash basis) for the subsequent fiscal year by personal income for the calendar year.

# STATE OF OHIO

## STATE INDIVIDUAL INCOME TAX RETURNS AND LIABILITY BY INCOME LEVEL FOR TAX YEAR 2004 WITH COMPARATIVES FOR TAX YEAR 1995 (NINE YEARS AGO)

2004 TAX YEAR (most recent information available)						
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns		Ohio Income Tax Liability		
		Number	Percentage of Total Returns	Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$200,001 & Above	\$89,482,522	102,916	1.94%	\$2,759,540	31.33%	3.08%
\$100,001-\$200,000	40,876,518	313,529	5.91%	1,739,447	19.75%	4.26%
\$80,001-\$100,000	26,109,351	293,684	5.54%	953,310	10.82%	3.65%
\$40,001-\$80,000	77,297,089	1,363,078	25.70%	2,345,712	26.63%	3.03%
\$20,001-\$40,000	41,757,389	1,422,143	26.83%	885,220	10.07%	2.12%
\$15,001-\$20,000	7,599,815	434,644	8.20%	80,369	0.91%	1.06%
\$10,001-\$15,000	5,559,572	445,059	8.39%	33,381	0.38%	0.60%
\$5,001-\$10,000	3,499,452	468,928	8.84%	10,095	0.11%	0.29%
\$5,000 & Under	1,267,923	458,881	8.65%	361	0.00%	0.03%
	\$293,449,631	5,302,862	100.00%	\$8,807,435	100.00%	3.00%
1995 TAX YEAR						
Income Level	Federal Adjusted Gross Income (in thousands)	Ohio Tax Returns		Ohio Income Tax Liability		
		Number	Percentage of Total Returns	Tax Receipts (in thousands)	Percentage of Total Taxes	Effective Tax Rate (A)
\$200,001 & Above	\$33,710,790	51,912	1.02%	\$1,311,236	23.64%	3.89%
\$100,001-\$200,000	17,434,217	132,085	2.60%	762,122	13.74%	4.37%
\$80,001-\$100,000	11,118,400	125,532	2.47%	418,629	7.54%	3.77%
\$40,001-\$80,000	60,282,856	1,102,169	21.69%	1,884,885	33.98%	3.13%
\$20,001-\$40,000	42,914,866	1,491,967	29.38%	980,143	17.66%	2.28%
\$15,001-\$20,000	9,226,549	527,802	10.39%	120,067	2.16%	1.30%
\$10,001-\$15,000	6,872,764	549,834	10.82%	54,192	0.98%	0.79%
\$5,001-\$10,000	3,976,657	530,048	10.43%	15,361	0.28%	0.39%
\$5,000 & Under	1,494,422	569,139	11.20%	909	0.02%	0.06%
	\$187,031,521	5,080,488	100.00%	\$5,547,544	100.00%	2.97%

Source: Ohio Department of Taxation

**Note:**

(A) The effective tax rate is calculated by dividing Ohio income tax receipts by federal adjusted gross income.

**STATE OF OHIO**

**WORKERS' COMPENSATION ENTERPRISE FUND  
ACTIVE EMPLOYERS, PREMIUM AND ASSESSMENT INCOME  
AND ACTUAL AVERAGE COLLECTED PREMIUM RATE  
FOR THE LAST TEN FISCAL YEARS**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Active Employers by Type</b>										
Private.....	283,038	283,733	283,620	278,494	272,195	268,485	268,539	263,384	269,637	278,444
Public (Local).....	3,771	3,765	3,733	3,717	3,687	3,655	3,649	3,809	3,793	3,644
Public (State).....	126	129	126	129	128	129	127	123	124	121
Self-Insured.....	1,136	1,127	1,104	1,092	1,181	1,163	1,327	1,245	1,210	1,159
Black Lung.....	36	37	36	36	37	39	37	41	42	45
Marine Fund.....	91	82	90	87	78	97	93	86	120	112
Total.....	<u>288,198</u>	<u>288,873</u>	<u>288,709</u>	<u>283,555</u>	<u>277,306</u>	<u>273,568</u>	<u>273,772</u>	<u>268,688</u>	<u>274,926</u>	<u>283,525</u>

**Premium & Assessment Income**

*(dollars in thousands)*

Premium Income.....	\$1,762,823	\$1,732,563	\$1,743,766	\$1,723,294	\$1,880,463	\$1,606,123	\$2,287,884	\$1,642,210	\$1,435,927	\$1,628,858
Assessment Income.....	410,504	536,641	488,889	508,039	482,222	414,935	432,398	389,817	391,690	417,223
Provision for Uncollectibles.....	(70,038)	(68,070)	(105,873)	(56,395)	(66,553)	(65,454)	(77,270)	(29,387)	2,442	(86,563)
<b>Total Premium &amp; Assessment Income.....</b>	<b>\$2,103,289</b>	<b>\$2,201,134</b>	<b>\$2,126,782</b>	<b>\$2,174,938</b>	<b>\$2,296,132</b>	<b>\$1,955,604</b>	<b>\$2,643,012</b>	<b>\$2,002,640</b>	<b>\$1,830,059</b>	<b>\$1,959,518</b>

**Actual Average Collected Premium Rate per \$100 of Payroll:**

Private Employers.....	\$1.74	\$1.77	\$1.71	\$1.65	\$1.65	\$1.69	\$1.83	\$2.00	\$2.02	\$2.21
Public Employers-Taxing Districts.....	1.60	1.77	1.74	1.66	1.53	1.49	1.41	1.46	1.65	1.79

Sources:

Ohio Bureau of Workers' Compensation Year-End Statistics Report

Ohio Bureau of Workers' Compensation Actuarial Report

**STATE OF OHIO**  
**LOTTERY COMMISSION ENTERPRISE FUND**  
**TICKET SALES BY MAJOR GAME TYPE**  
**FOR THE LAST TEN FISCAL YEARS**  
*(dollars in millions)*

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Online Games:										
Pick 3.....	\$ 377.3	\$ 387.7	\$ 396.8	\$ 401.8	\$ 409.2	\$ 419.0	\$ 427.3	\$ 399.4	\$ 421.1	\$ 435.6
Pick 4.....	175.7	170.1	165.2	154.2	154.6	150.7	144.6	125.1	124.0	116.5
Buckeye 5/Rolling Cash 5 .....	72.6	74.8	66.6	68.9	62.4	56.5	62.2	69.9	73.5	78.8
Super Lotto .....	76.3	113.0	143.8	160.7	297.9	262.5	336.6	364.4	384.9	410.6
Kicker.....	21.6	19.9	24.5	27.3	45.0	42.9	52.9	57.2	60.5	63.5
Mega Millions.....	223.4	176.4	191.8	176.2	16.5	—	—	—	—	—
Total Online Games.....	946.9	941.9	988.7	989.1	985.6	931.6	1,023.6	1,016.0	1,064.0	1,105.0
Instant Games.....	1,274.0	1,217.2	1,166.0	1,089.1	997.5	988.3	1,126.8	1,128.7	1,131.8	1,195.0
Total Ticket Sales.....	<u>\$ 2,220.9</u>	<u>\$ 2,159.1</u>	<u>\$ 2,154.7</u>	<u>\$ 2,078.2</u>	<u>\$ 1,983.1</u>	<u>\$ 1,919.9</u>	<u>\$ 2,150.4</u>	<u>\$ 2,144.7</u>	<u>\$ 2,195.8</u>	<u>\$ 2,300.0</u>

Source: Ohio Lottery Commission

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**RATIOS OF OUTSTANDING DEBT BY TYPE  
FOR THE LAST TEN FISCAL YEARS**

(dollars in thousands)

As of June 30,	Governmental Activities					Business-Type Activities				
	General Obligation Bonds	Revenue Bonds	Special Obligation Bonds	Certificates of Participation	Capital Leases	Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2006	\$6,893,521	\$720,675	\$3,317,325	\$90,389	\$3,366	\$135,215	\$12	\$11,160,503	3.06%	\$974
2005	6,039,203	591,888	3,699,936	92,142	2,471	151,063	205	10,576,908	2.96%	923
2004	5,420,711	607,958	3,914,168	6,480	3,460	158,578	30,368	10,141,723	2.96%	887
2003	4,603,842	450,598	4,093,614	7,370	4,888	167,310	44,151	9,371,773	2.82%	821
2002	3,771,129	297,638	4,389,102	9,900	3,933	190,723	57,171	8,719,596	2.68%	766
2001	3,034,037	218,900	4,731,842	12,305	4,722	202,614	199	8,204,619	2.54%	722
2000	2,461,673	232,785	4,973,657	14,590	6,190	213,963	3,072	7,905,930	2.59%	697
1999	1,962,402	224,760	5,062,344	16,765	6,087	223,679	3,733	7,499,770	2.65%	663
1998	1,568,183	236,805	4,831,558	18,615	14,035	232,147	16,674	6,918,017	2.56%	613
1997	1,598,596	171,595	4,664,837	26,630	12,072	242,278	15,625	6,731,633	2.57%	599

**Note:**

Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

# **STATE OF OHIO**

## **RATIOS OF GENERAL AND SPECIAL OBLIGATION BONDED DEBT OUTSTANDING FOR THE LAST TEN FISCAL YEARS**

As of June 30,	<i>Bonded Debt (dollars in thousands)</i>					Per Capita Net Bonded Debt
	General Obligation Bonds	Special Obligation Bonds	Less Amount Reserved for Debt Service	Net Bonded Debt	Percentage of Personal Income	
2006	\$6,893,521	\$3,317,325	\$10,994	\$10,199,852	2.79%	\$890
2005	6,039,203	3,699,936	39,877	9,699,262	2.72%	846
2004	5,420,711	3,914,168	71,736	9,263,143	2.70%	810
2003	4,603,842	4,093,614	102,055	8,595,401	2.59%	753
2002	3,771,129	4,389,102	94,323	8,065,908	2.48%	708
2001	3,034,037	4,731,842	108,591	7,657,288	2.37%	674
2000	2,461,673	4,973,657	112,300	7,323,030	2.40%	646
1999	1,962,402	5,062,344	118,549	6,906,197	2.44%	611
1998	1,568,183	4,831,558	141,230	6,258,511	2.31%	555
1997	1,598,596	4,664,837	254,751	6,008,682	2.29%	534

**Note:**

This table includes general and special obligation bonds for which debt service payments have been made from the following combining funds in the Debt Service and Capital Projects Funds. Balances have been restated for prior period adjustments, corrections, and reclassifications, when practical.

**Debt Service Fund:**

- Coal Research/Development General Obligations
- Improvements General Obligations
- Highway Improvements General Obligations
- Development General Obligations
- Highway General Obligations
- Public Improvements General Obligations
- Vietnam Conflict Compensation General Obligations
- Local Infrastructure Improvements General Obligations
- State Projects General Obligations
- Highway Capital Improvements General Obligations
- Higher Education Capital Facilities General Obligations
- Common Schools Capital Facilities General Obligations
- Conservation Projects General Obligations
- Chapter 154 Special Obligations
- School Building Program Special Obligations
- Ohio Building Authority Special Obligations

**Capital Projects Fund:**

- Mental Health/Mental Retardation Facilities Improvements
- Parks and Recreation Improvements
- Adult Correctional Building Improvements
- Highway Safety Building Improvements
- Ohio Parks and Natural Resources
- Highway Capital Improvement

**STATE OF OHIO**

**ANNUAL LIMITATION ON DEBT SERVICE EXPENDITURES (BUDGETARY BASIS)  
FOR THE LAST TEN FISCAL YEARS**

(dollars in thousands)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt Service Expenditures.....	\$1,128,592	\$1,097,800	\$1,013,200	\$959,490	\$926,142	\$918,248	\$871,314	\$843,207	\$771,015	\$726,496
<b>General Revenue Fund (GRF)</b>										
Revenues and Transfers from the										
Lottery Enterprise Fund.....	\$26,492,278	\$26,195,600	\$24,678,900	\$23,055,920	\$22,072,703	\$21,921,276	\$20,711,678	\$19,736,608	\$18,833,028	\$17,964,425
<b>Calculation of Annual 5% Debt Service Cap.....</b>										
	\$1,324,614	\$1,309,780	\$1,233,945	\$1,152,796	\$1,103,635	\$1,096,064	\$1,035,584	\$986,830	\$941,651	\$898,221
<b>Amount Under the Debt Service Expenditure Cap.....</b>										
	\$196,022	\$211,980	\$220,745	\$193,306	\$177,493	\$177,816	\$164,270	\$143,623	\$170,636	\$171,725
<b>Ratio of Debt Service Expenditures to Total GRF Revenues and Lottery Transfers.....</b>										
	4.26%	4.19%	4.11%	4.16%	4.20%	4.19%	4.21%	4.27%	4.09%	4.04%

**Limitations on Debt**

A 1999 amendment to the Ohio Constitution provides an annual debt service "cap" on general obligation bonds and other direct obligations payable from the General Revenue Fund (GRF) or net state lottery proceeds. Generally, such bonds may not be issued if the future fiscal year debt service on the new bonds and previously issued bonds exceeds five percent of total estimated GRF revenues plus net state lottery proceeds during the fiscal year of issuance. Application of the cap may be waived in a particular instance by a three-fifths vote of each house of the General Assembly and may be changed by future constitutional amendments. Direct obligations of the State include, for example, special obligation bonds issued by the Ohio Building Authority and the Treasurer of State that are paid from GRF appropriations, but exclude bonds such as highway bonds that are paid from highway user receipts.

**STATE OF OHIO**  
**REVENUE BOND COVERAGE**  
**FOR THE LAST TEN FISCAL YEARS**  
(dollars in thousands)

**Economic Development and Revitalization Project Revenue Bonds**  
**Issuer: Treasurer of State**

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Fiscal Year	Liquor Control Enterprise Fund			Debt Service Requirements			
	Gross Liquor Revenues	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2006	\$606,905	\$422,577	\$184,328	\$10,950	\$20,914	\$31,864	5.78
2005	556,213	400,878	155,335	9,130	19,170	28,300	5.49
2004	520,161	374,275	145,886	8,195	15,627	23,822	6.12
2003	493,195	354,318	138,877	5,415	11,898	17,313	8.02
2002	470,515	338,926	131,589	5,060	11,074	16,134	8.16
2001	454,268	327,083	127,185	4,740	11,392	16,132	7.88
2000	428,085	310,620	117,465	4,450	11,685	16,135	7.28
1999	397,018	289,853	107,165	4,175	11,952	16,127	6.65
1998	380,791	276,085	104,706	3,790	12,189	15,979	6.55
1997	366,636	270,525	96,111	9,330	6,738	16,068	5.98

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**Infrastructure Bank Revenue Bonds**  
**Issuer: Treasurer of State**

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Fiscal Year	Highway Operating Fund			Debt Service Requirements			
	GARVEE Receipts(A)	Direct Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2006	\$73,373	N/A	\$73,373	\$60,840	\$13,628	\$74,468	0.99
2005	66,592	N/A	66,592	53,045	14,020	67,065	0.99
2004	65,542	N/A	65,542	38,380	11,459	49,839	1.32
2003	49,409	N/A	49,409	37,965	11,653	49,618	1.00
2002	27,414	N/A	27,414	20,690	7,417	28,107	0.98
2001	11,454	N/A	11,454	7,825	3,606	11,431	1.00
2000	10,140	N/A	10,140	6,320	3,816	10,136	1.00
1999	10,931	N/A	10,931	6,775	4,001	10,776	1.01

(Continued)

**Notes:**

- (A) The State first issued the Infrastructure Bank Revenue Bonds in fiscal year 1999. GARVEE stands for Grant Anticipation Revenue Vehicles, which are capital market borrowings repaid by federal transportation funds deposited in the State's Highway Operating Fund.

# **STATE OF OHIO**

## **REVENUE BOND COVERAGE FOR THE LAST TEN FISCAL YEARS** (dollars in thousands)

*(Continued)*

### **Ohio Building Authority Revenue Bonds**

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Fiscal Year	Ohio Building Authority Enterprise Fund			Debt Service Requirements			
	Gross Revenues(B)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2006	\$27,980	\$25,165	\$2,815	\$2,047	\$298	\$2,345	1.20
2005	27,257	26,562	695	1,691	408	2,099	0.33
2004	26,484	26,881	(397)	3,730	5,544	9,274	N/A
2003	27,388	29,330	(1,942)	3,531	1,394	4,925	N/A
2002	32,488	32,031	457	3,359	1,565	4,924	0.09
2001	31,106	30,598	508	3,194	1,728	4,922	0.10
2000	30,999	33,862	(2,863)	3,039	1,882	4,921	N/A
1999	29,797	29,097	700	2,893	2,029	4,922	0.14
1998	31,018	25,270	5,748	2,736	2,264	5,000	1.15
1997	27,929	26,913	1,016	3,480	1,801	5,281	0.19

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### **Bureau of Workers' Compensation Revenue Bonds**

**Issuer: Ohio Building Authority**

---

Fiscal Year	Workers' Compensation Enterprise Fund			Debt Service Requirements			
	Gross Revenues(B)	Direct Operating Expenses Exclusive of Depreciation	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2006	\$2,882,383	\$2,002,722	\$879,661	\$13,190	\$6,472	\$19,662	44.74
2005	3,201,561	3,229,197	(27,636)	5,300	6,578	11,878	N/A
2004	3,388,523	3,056,227	332,296	—	6,183	6,183	53.74
2003	2,759,594	4,070,231	(1,310,637)	10,000	8,175	18,175	N/A
2002	1,946,105	4,547,191	(2,601,086)	9,000	8,571	17,571	N/A
2001	2,549,227	4,460,581	(1,911,354)	8,000	8,915	16,915	N/A
2000	4,361,511	3,128,723	1,232,788	7,000	9,209	16,209	76.06
1999	3,625,174	2,462,056	1,163,118	6,000	9,455	15,455	75.26
1998	5,115,778	5,891,409	(775,631)	5,000	9,655	14,655	N/A
1997	4,348,344	2,696,867	1,651,477	4,000	9,807	13,807	119.61

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**Notes (Continued):**

(B) Gross revenues consist of operating revenues and investment income.

**STATE OF OHIO**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**FOR THE LAST TEN CALENDAR YEARS**

Calendar Year	Population (in thousands)				Per Capita Personal Income			Civilian Labor Force		Public School Enrollment in Ohio (in thousands)	Motor Vehicles Registered in Ohio
	U.S.	Change from Prior Period	Ohio	Change from Prior Period	U.S.	Ohio	Ohio as a Percentage of U.S.	Ohioans Employed	Ohio's Unemployment Rate		
2005	296,410	2,755	11,464	5	\$34,495	\$31,867	92.4%	6,792,314	5.9%	1,845	12,017,517
2004	293,655	2,866	11,459	21	33,041	31,135	94.2%	6,732,896	6.1%	1,844	12,192,202
2003	290,789	2,848	11,438	28	31,487	29,947	95.1%	6,668,862	6.1%	1,838	12,083,529
2002	287,941	2,839	11,410	22	30,814	29,094	94.4%	6,688,303	5.7%	1,831	12,064,420
2001	285,102	2,910	11,388	24	30,575	28,602	93.5%	6,757,667	4.3%	1,835	11,888,533
2000	282,192	3,152	11,364	29	29,845	28,373	95.1%	6,835,688	4.1%	1,836	11,740,513
1999	279,040	3,186	11,335	23	27,939	26,965	96.5%	6,746,632	4.3%	1,842	11,581,700
1998	275,854	3,207	11,312	35	26,883	25,011	93.0%	6,660,094	4.3%	1,847	11,399,641
1997	272,647	3,253	11,277	34	25,334	24,008	94.8%	6,540,651	4.6%	1,845	11,196,310
1996	269,394	3,116	11,243	40	24,175	23,310	96.4%	6,437,192	4.9%	1,838	11,023,868

Sources:

- U.S. Census Bureau for population information
- Bureau of Economic Analysis for personal income and employment information
- Ohio Department of Job and Family Services for unemployment rates
- Ohio Department of Education for school enrollment
- Ohio Department of Public Safety for motor vehicle registrations

**STATE OF OHIO**  
**PRINCIPAL EMPLOYERS**  
**FOR CALENDAR YEARS 2005 AND 1995**

Employer	2005			1995(B)		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
United States Government (A)	80,502	1	1.19%	92,286	1	1.43%
State of Ohio	58,570	2	0.86%	63,145	2	0.98%
Wal-Mart Stores	50,000	3	0.74%	15,100	10	0.23%
Cleveland Clinic Health System	34,800	4	0.51%			
Kroger Company	34,130	5	0.50%	21,700	5	0.34%
University Hospitals Health System	25,000	6	0.37%			
The Ohio State University	24,400	7	0.36%	21,663	6	0.34%
Catholic Healthcare Partners	23,000	8	0.34%			
General Motors Corporation	19,300	9	0.28%	63,200	3	0.98%
General Electric Company	17,000	10	0.25%	18,500	7	0.29%
JP Morgan Chase & Co	17,000	10	0.25%			
Ford Motor Company				24,000	4	0.37%
University of Cincinnati				18,397	8	0.29%
Kmart Corporation				17,300	9	0.27%

Sources:

U.S. Department of Commerce, Bureau of Economic Analysis  
 U.S. Census Bureau  
 Ohio Department of Development, Office of Strategic Research  
 Ohio Department of Administrative Services  
 The Ohio State University, University Resource Planning and Institutional Analysis  
 University of Cincinnati, Controller's Office

**Notes:**

- (A) Calendar year 2004 was the most recent year for which data was available. Employment data by state for the federal government is only available for even-numbered years.
- (B) Calendar year 1995 was the most recent year for which data was available for the required nine year comparison.

# **STATE OF OHIO**

## **FULL-TIME AND PART-TIME PERMANENT STATE EMPLOYEES DURING THE MONTH OF JUNE BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS**

Function/Program	Number of Employees									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Primary, Secondary and Other Education.....	1,194	1,186	1,201	1,168	1,182	1,129	1,052	1,001	973	923
Higher Education Support.....	91	81	83	94	89	83	78	79	82	95
Public Assistance and Medicaid.....	3,299	3,272	3,115	3,621	3,493	3,673	3,746	3,791	3,901	3,925
Health and Human Services.....	10,665	11,037	11,144	10,984	11,036	11,443	11,511	11,682	11,866	12,174
Justice and Public Protection.....	23,599	23,683	23,319	23,705	24,138	25,627	25,229	24,797	23,992	23,311
Environmental Protection and Natural Resources.....	3,095	3,146	3,232	3,253	3,311	3,514	3,492	3,510	3,585	3,602
Transportation.....	5,831	5,808	5,819	5,899	5,905	5,912	6,064	6,396	6,501	6,596
General Government.....	5,419	5,362	5,400	5,350	5,439	5,537	5,382	5,386	5,342	5,462
Community and Economic Development.....	955	1,029	1,007	1,009	1,095	1,097	1,077	1,052	1,076	1,062
Workers' Compensation.....	2,548	2,668	2,675	2,759	2,815	2,938	3,029	3,044	3,163	3,478
Lottery Commission.....	331	335	339	345	358	358	352	359	363	363
Unemployment Compensation.....	564	590	613	(A)						
Other.....	979	972	1,018	1,060	1,080	1,056	992	958	951	932
Total.....	<b>58,570</b>	<b>59,169</b>	<b>58,965</b>	<b>59,247</b>	<b>59,941</b>	<b>62,367</b>	<b>62,004</b>	<b>62,055</b>	<b>61,795</b>	<b>61,923</b>

Source:  
Ohio Department of Administrative Services

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**Note:**

(A) For fiscal year 2003 and prior, the number of individuals employed in the Unemployment Compensation Program is included in the number of employees reported for the Public Assistance and Medicaid Function.

# STATE OF OHIO

## OPERATING INDICATORS BY FUNCTION/PROGRAM FOR THE LAST TEN FISCAL YEARS

Function/Program	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>Primary, Secondary and Other Education</i>										
Ohio Department of Education:										
Fall Student Enrollment (Public Schools).....	1,842,943	1,845,351	1,843,898	1,838,068	1,830,958	1,834,888	1,836,491	1,842,102	1,846,984	1,844,621
Public School Districts (A).....	610	612	611	611	611	611	611	611	611	611
Community School Districts (A).....	293	248	164	129	93	71	48	15	(B)	(B)
Vocational School Districts.....	49	49	49	49	49	49	49	49	49	49
High School Graduation Rate (by School year).....	(C)	86.2%	85.9%	84.3%	82.7%	81.1%	80.6%	80.6%	80.2%	79.8%
<i>Higher Education Support</i>										
Ohio Board of Regents:										
Student Enrollment at State-Assisted Institutions....	455,786	457,333	457,281	450,470	445,879	428,880	415,948	420,458	408,648	410,745
State-Assisted Institutions.....	39	39	38	38	38	38	38	38	38	40
Ohio Instructional Grant Recipients.....	106,310	104,512	102,227	100,737	95,070	88,473	92,070	86,020	95,606	79,455
Student Choice Grant Program Recipients.....	58,656	57,621	55,859	54,959	53,646	51,966	50,254	48,400	46,570	46,685
<i>Public Assistance and Medicaid</i>										
Ohio Department of Job and Family Services:										
Individuals with Medicaid Coverage.....	1,730,544	1,687,465	1,618,900	1,527,076	1,380,196	1,676,157	1,409,705	1,387,581	1,410,020	1,486,389
Individuals Receiving Cash Assistance (OWF).....	180,253	190,265	193,943	194,320	198,451	215,821	255,229	294,035	(E)	(E)
Individuals on ODJFS Medicaid Waiver.....	10,135	10,391	10,066	9,433	7,608	8,062	7,531	6,869	5,049	4,697
Ohio Department of Aging:										
Individuals on PASSPORT Waiver.....	33,279	31,656	29,242	26,698	24,689	24,488	22,720	21,920	21,096	19,828
Ohio Department of Mental Retardation and Developmental Disabilities:										
Individuals on DMR Waiver.....	14,978	12,438	10,828	9,859	6,410	5,661	5,593	5,588	4,367	2,749
<i>Health and Human Services</i>										
Ohio Department of Alcohol & Drug Addiction Services:										
Clients Treated (D).....	(C)	93,919	89,389	89,894	92,941	80,216	73,024	97,007	95,221	93,522
Ohio Department of Aging:										
Clients Served-PASSPORT.....	33,042	31,499	29,093	27,055	24,742	24,488	22,720	21,920	21,096	19,828
Clients Served-Congregate Meals.....	71,522	70,817	75,279	77,478	75,883	68,859	66,921	65,547	63,494	66,032
Clients Served-Home Delivered Meals.....	52,317	39,926	46,304	44,853	44,726	39,721	39,339	37,533	38,281	38,129
Clients Served-Transportation Provided.....	32,558	29,756	30,517	31,421	30,670	32,951	34,519	33,514	33,743	35,154
Ohio Department of Health:										
Average Monthly Caseload-Women, Infants, & Children.....	276,757	272,632	267,300	255,804	253,923	247,092	245,195	245,994	250,815	254,668
Ohio Department of Mental Health:										
Clients Served.....	7,771	7,669	7,486	7,427	7,775	6,990	7,223	7,153	7,007	7,291
Facilities' Admissions.....	6,691	6,584	6,399	6,307	6,641	5,847	6,006	5,950	5,727	5,944
Facilities' Average Daily Residence Population.....	1,048	1,034	1,046	1,056	1,084	1,109	1,156	1,187	1,187	1,278

Function/Program	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>Health and Human Services (Continued)</i>										
Ohio Department of Mental Retardation and Developmental Disabilities:										
Individuals Served.....	(C)	(C)	335,814	342,678	375,503	390,130	332,351	(E)	(E)	(E)
Facilities' Average Daily Residence Population.....	1,605	1,659	2,826	2,979	3,017	3,079	3,154	(E)	(E)	(E)
<i>Justice and Public Protection</i>										
Ohio Department of Public Safety:										
Crashes Investigated.....	(C)	78,952	82,964	84,340	80,641	79,204	83,493	79,364	77,071	79,591
Total Arrests.....	(C)	(C)	(C)	900,213	995,817	947,785	907,198	900,238	853,057	770,660
Ohio Department of Rehabilitation and Correction:										
Inmate Population.....	46,356	43,928	43,889	45,216	44,729	45,505	46,619	48,171	47,808	45,962
<i>Transportation</i>										
Ohio Department of Transportation:										
Pavement Resurfacing (in miles):										
Two-Lane.....	1,502	2,535	1,280	1,275	728	753	749	(E)	(E)	(E)
Four-Lane.....	252	563	234	233	147	201	104	(E)	(E)	(E)
Interstate.....	229	371	134	4	75	103	147	(E)	(E)	(E)
<i>Workers' Compensation</i>										
Ohio Bureau of Workers' Compensation:										
Claims Filed.....	185,232	197,083	207,847	229,307	234,986	261,987	280,990	285,504	294,696	287,986
Open Claims.....	1,664,368	1,792,944	1,930,550	2,157,516	2,224,466	2,299,532	2,358,462	2,402,920	2,405,116	2,432,001
<i>Lottery</i>										
Ohio Lottery Commission:										
Prize Awards Paid (in billions).....	\$1.31	\$1.28	\$1.28	\$1.21	\$1.15	\$1.11	\$1.27	\$1.26	\$1.24	\$1.31
Bonuses and Commissions Paid (in millions).....	139.8	\$133.8	\$132.8	\$137.0	\$126.6	\$120.2	\$135.0	\$134.6	\$137.8	\$144.7
Transfers to										
Lottery Profits Education Fund (in millions).....	646.2	\$645.1	\$655.6	\$641.4	\$635.2	\$637.0	\$686.0	\$696.3	\$723.9	\$748.5
<i>Unemployment Compensation</i>										
Ohio Department of Job and Family Services:										
Initial Claims.....	395,716	689,412	750,783	812,169	842,819	724,569	483,674	542,961	567,135	594,764
Continuing Claims.....	4,990,563	5,352,206	6,395,391	6,733,498	6,895,871	4,823,773	3,521,349	3,798,915	3,705,906	4,206,484

Sources: Various state agencies, as noted above.

#### Notes:

- (A) The number of school districts include only those with enrollment.
- (B) In fiscal year 1999, community schools began operating in the State.
- (C) Recent data from the source was not available, as of the date of publication.
- (D) In fiscal year 2000, the Ohio Department of Alcohol & Drug Addiction Services began using the Multi-Agency Community Services Information System, which tracks clients served rather than services provided. The change in the tracking methodology resulted in the large decrease in the number of clients reported as being treated between fiscal years 1999 and 2000.
- (E) Data for the year indicated was not readily available.

**STATE OF OHIO**  
**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM**  
**FOR THE LAST TEN FISCAL YEARS**

Function/Program	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<i>Health and Human Services</i>										
Mental Retardation										
and Developmental Disabilities Institutions.....	10	12	12	12	12	12	12	12	12	12
Mental Health Institutions.....	9	9	9	9	9	9	9	9	9	9
<i>Justice and Public Protection</i>										
Rehabilitation and Correction Institutions.....	28	28	28	29	29	30	30	29	29	27
Youth Services Institutions.....	8	8	9	9	9	9	9	10	10	10
<i>Environmental Protection and Natural Resources</i>										
Number of State Parks.....	74	74	74	74	74	73	73	73	72	72
Area of State Parks, Natural & Wildlife Lands (in acres).....	315,611	314,646	310,964	309,271	302,983	301,681	300,063	295,378	293,293	279,711
Area of State Forest Lands (in acres).....	191,142	191,117	185,838	185,709	185,311	184,383	184,016	183,499	182,223	182,173
<i>Transportation(A)</i>										
Infrastructure Assets(B):										
Pavement (in lane-miles):										
Priority Subsystem.....	12,500	12,355	12,225	12,210	12,114	(C)	(C)	(C)	(C)	(C)
General Subsystem.....	30,168	30,207	30,246	30,317	30,487	(C)	(C)	(C)	(C)	(C)
Bridges:										
Number of Bridges.....	12,531	12,544	12,416	12,394	12,489	(C)	(C)	(C)	(C)	(C)
Deck Area (in thousand square feet).....	83,443	82,684	82,260	80,608	81,012	(C)	(C)	(C)	(C)	(C)

## Sources:

Ohio Department of Mental Retardation and Developmental Disabilities  
Ohio Department of Mental Health  
Ohio Department of Rehabilitation and Correction  
Ohio Department of Youth Services  
Ohio Department of Natural Resources  
Ohio Department of Transportation

## Notes:

- (A) Data presented is for the calendar year.  
(B) The Priority Subsystem includes the interstate highways, freeways, and multi-lane portions of the National Highway System. The General Subsystem consists of two-lane routes outside of cities.  
(C) Information on infrastructure balances for years prior to fiscal year 2002 is unavailable.

[BACK COVER]